華能新能源股份有限公司
Huaneng Renewables Corporation Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0958)

2012 Annual Report

** For identification purpose only*

Contents

Chairman's Statement

Dear Shareholders,

2012 was a crucial year not just because of the commencement of the implementation of the PRC's "12th Five-year Plan" but also as a year in which the Company entered into a new phase of scientific development. Facing a complicated and volatile operating environment, the Company adhered to the mission of developing an internationally competitive and leading business in the renewable energy sector and strived to improve and upgrade the quality, profitability and strategy of its development to create a promising outlook for healthy, efficient, sustainable and rapid development.

In 2012, the Company diligently analysed national industry policies and accurately responded to changes in the wind power market, further leveraged its strengths in effective management and its financing platform, continued to optimize its development structure and corporate governance, and further enhanced its overall strength.

In 2012, the Company diligently fulfilled the responsibility of energy saving and emission reduction by generating green electricity of 8,402.3 GWh, equivalent to reducing emission of approximately 8.32 million tons of carbon dioxide or saving 2.74 million tons of standard coal. During the year, the Company had 77 CDM projects successfully registered with CDM EB of the United Nations.

Chairman's Statement

Looking ahead to 2013, the world's economy is expected to slowly recover. The PRC government will strive to promote ecological civilization, actively develop the low-carbon energy industry and emerging and renewable energies, and will revolutionize energy production and consumption with a view to building a beautiful China. The new energy market will enter into a new era with the integration of upstream industries and sophistication of industrial practices. This is reflected in our strategy as we transition into a new phase of scientific development. The Company will adhere to the principles of positive and scientific development, follow the concept of effective, measured and orderly growth and speed up and improve its transformation to further improve its growth quality and efficiency, as well as the profitability, competitiveness and capability of its sustainable development. The Company aims to create an internationally leading new energy enterprise and strives to provide sustainable, stable and increasing investment returns for shareholders.

Lastly, on behalf of the board of the Company. I would like to extend our sincere gratitude to all of our shareholders, public and friends for the trust and support given to us.

President's Statement

Dear Shareholders,

2012 marked the first year after the Company was listed in Hong Kong. The management and employees of the Company together made concerted and pioneering efforts to strive for the growth of the Company. We have overcome multiple challenges under such complex and volatile economic conditions, the rapidly-developing new energy industry and the highly challenging capital market environment. We further enhanced the management capabilities and improved the overall strength of the Company.

In 2012, the Company actively responded to unfavourable factors such as severe grid congestion in certain areas and the significant drop of carbon credit prices in the international market. The Company adhered to the principle of scientific and standardized management and overall budget control. With pragmatic and innovative efforts to increase profitability based on safety production, and with an aim to improve the distribution of business operations and to strengthen human resource development, the Company established a promising outlook for its growth and development.

The Company enhanced its efforts to improve project administration and to actively promote scientific management of infrastructure. With a focus on business efficiency, the Company effectively eased the distress caused by grid congestion by refocusing its investment to key regions with quality-wind resources and favorable on-grid access conditions.

The installed capacity of the Company grew steadily. In 2012, the Company had 12 new projects with added installed capacity of 553.5 MW. As of 31 December 2012, the Company had installed capacity of 5,457.4 MW, representing an increase of 11.3% compared to the previous year. The Company also made breakthrough developments in distributed wind power projects.

President's Statement

The Company has experienced consistent growth in production and operations. In 2012, the Company has reached a total power generation of 8,402.3 GWh, representing an increase of 22.8% compared to the previous year. The revenue for the year amounted to RMB4,026.9 million, representing a growth of 26.0% compared to the previous year. The profit for the year amounted to RMB601.1 million and total assets amounted to RMB53,698.9 million.

In 2013, the Company will continue to improve its project administration, management, marketing and innovation and technical support, and will strive to achieve the following objectives:

1. Persist in safe production and improve safe operation management;
2. Accelerate optimization of business distribution to ensure effective growth;
3. Promote the scientific management of infrastructure to ensure production ramp-up;
4. Strengthen marketing efforts to increase profitability of existing assets;
5. Further enhance financial management to effectively control financial risks;
6. Strengthen investor relationship to increase transparency and popularity of the Company.

Lastly, I would like to extend on behalf of the management and employees of the Company our sincere gratitude to all of our shareholders and investors for your continuing support and trust. Facing new opportunities and challenges in 2013, the Company is determined to adopt a more diligent and pragmatic approach to further strengthen its management, to further promote the Company's development and to achieve better results, and will strive to take the wind power industry to a new phase of scientific development.

Corporate Profile

• CORPORATE INTRODUCTION

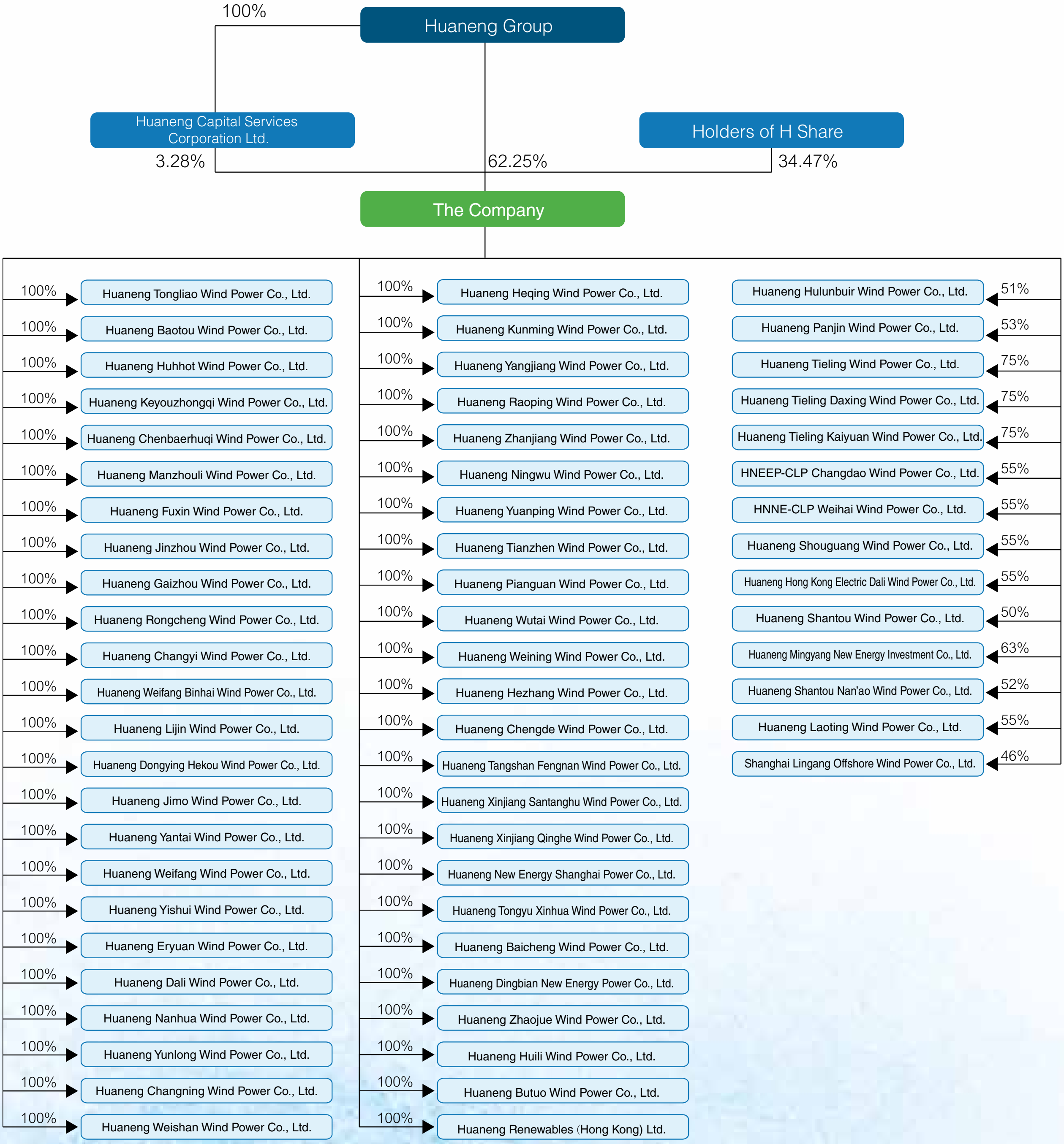
The predecessor of Huaneng Renewables Corporation Limited (the “Company”) is Huaneng New Energy Industrial Co., Ltd., which was established in November 2002. On 10 June 2011, the Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) with an aggregate of 8,446,898,000 shares in issue. China Huaneng Group (“Huaneng Group”), the controlling shareholder of the Company, directly and indirectly holds 65.53% of the Company’s total issued shares.

The Company is committed to the investment, construction and operation of new energy projects. It focuses on developing and operating wind power projects while promoting synergistic growth of solar and other renewable energies. The Company adheres to scientific development and rational business distribution. With operations of scaled wind farms and distributed wind farms, utilization of onshore and offshore wind resources, attention on both development and acquisition, the Company strives to improve its growth quality and efficiency and to continuously increase its profitability, competitiveness and sustainable development capabilities, so as to maintain its established position in the PRC and to expand into international markets with a view to becoming an internationally competitive and premier renewable energy provider.

Since its establishment, the Company has been focusing on the development of green power and clean energies and its mission of clean energy production. The Company places a lot of emphasis on protecting and improving the environment and on fulfilling its social responsibilities, and strive to bring sustainable, stable and increasing returns to its shareholders. As of the end of 2012, the Company had installed capacity of 5,457.4 MW.

Corporate Profile

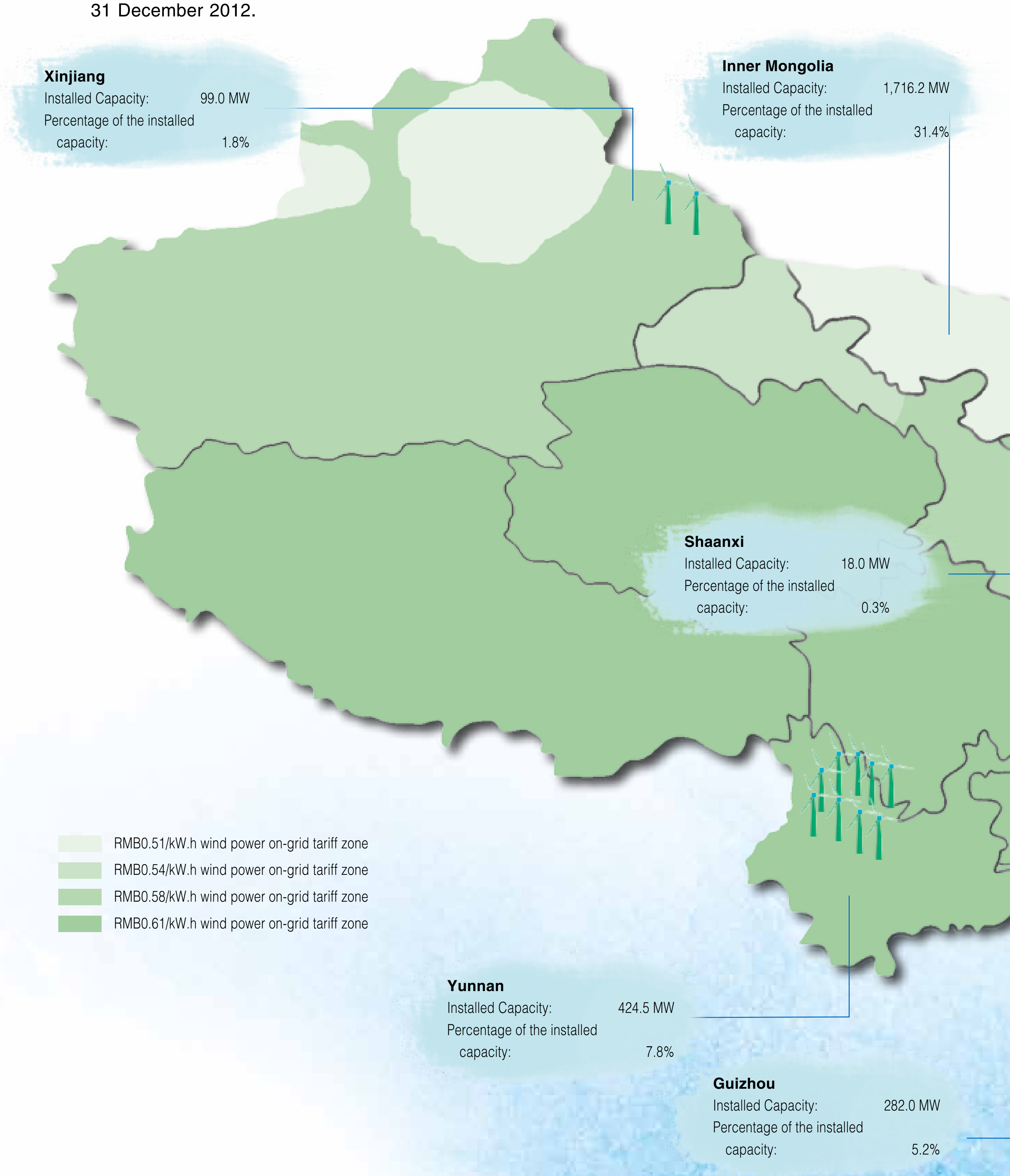
• CORPORATE STRUCTURE



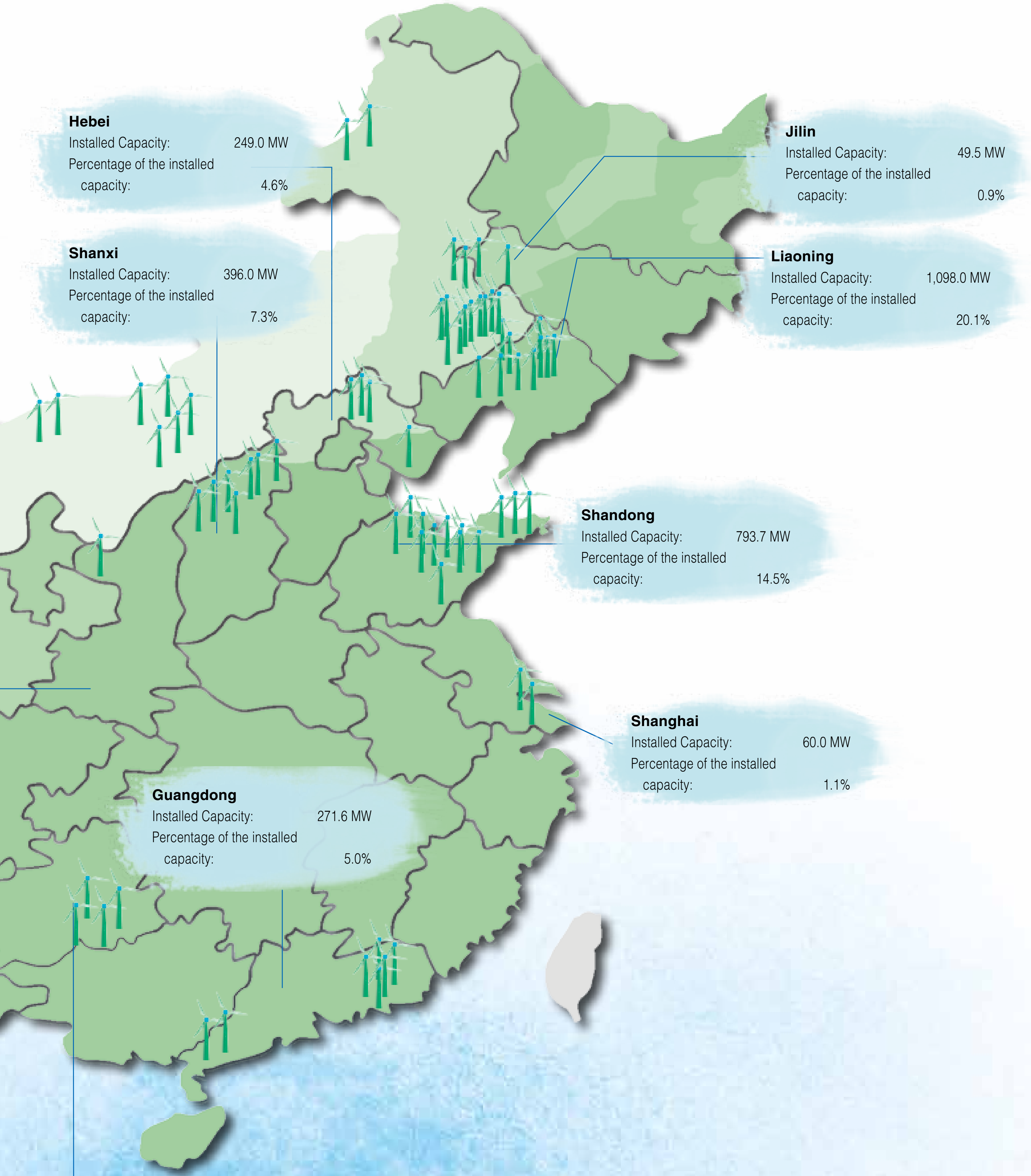
Corporate Profile

• DISTRIBUTION OF PROJECTS

The following map sets forth the location of the Company's installed wind power projects as of 31 December 2012.



Corporate Profile



Note: Percentage of the installed capacity represents the percentage ratio of the Company's installed capacity in each region to the total installed capacity of the Company

Major Corporate Events in 2012

FEBRUARY

Mr. LIN Gang was appointed as an Executive Director and President of the Company.

MARCH

The Company announced its annual results for 2011, its profit attributable to shareholders reached to RMB1,023.0 million, representing an increase of 93.7% compared to the year of 2010.

APRIL

Research on the key technology of offshore wind power project filed by the Company was approved by the PRC Ministry of Sciences for official inclusion in the National 863 Plan(1).

JUNE

Phases I to IV of Huaneng Shandong Heko Wind Power Project and Phases I and II of Huaneng Xinjiang Santanghu Wind Farm Project received High Quality Project Awards of power industry.

JULY

The Company announced its power generation for the first half of 2012, the Company achieved a total power generation of 3,877,357 MWh, representing an increase of 7.0% compared to the previous year.

Note:

(1) National 863 Plan: National High-Tech Research and Development Program.

Major Corporate Events in 2012

AUGUST

The Company announced its interim results for the first six months of 2012, its profit attributable to shareholders was RMB246.2 million, representing a decrease of 63.43% over the corresponding period of 2011.

AUGUST

The Company announced that the Company and Guangdong Minyang Wind Power Group Limited have established a joint venture company.

OCTOBER

Huaneng Hong Kong Electric Dali Wind Power Co., Ltd. was recognized as 2012 Excellent cultural construction enterprises by China Corporate Culture Institute.

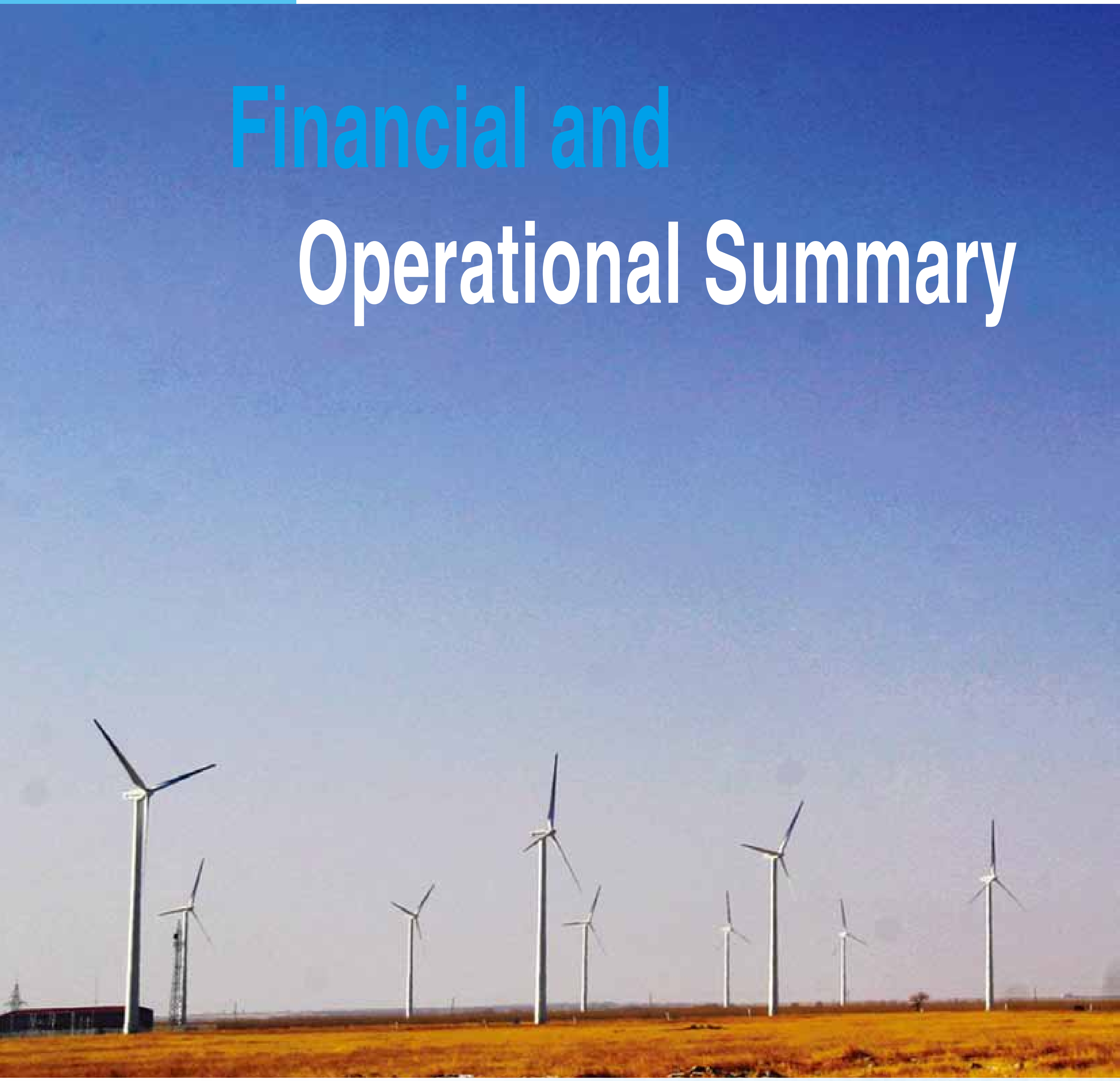
OCTOBER

The Company successfully issued corporate bonds in the amount of RMB2 billion.

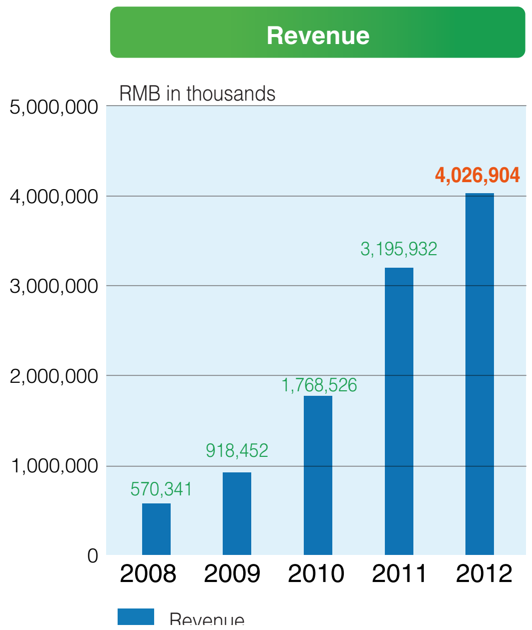
NOVEMBER

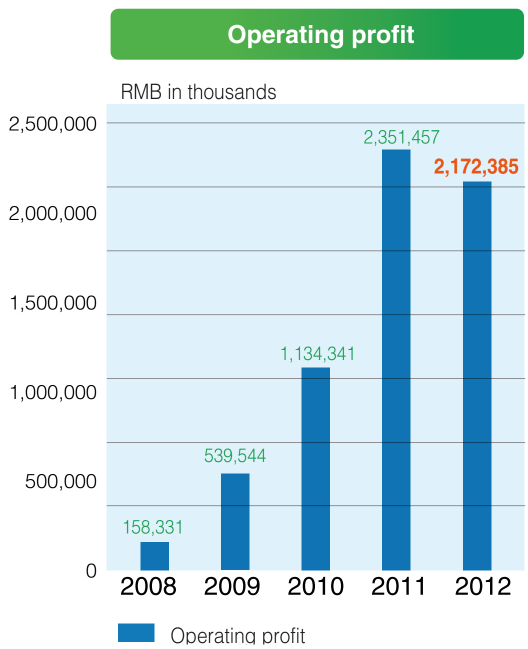
Phases I to IV of Huaneng Shandong Hekou Wind Power Project received National High Quality Project Silver Award.

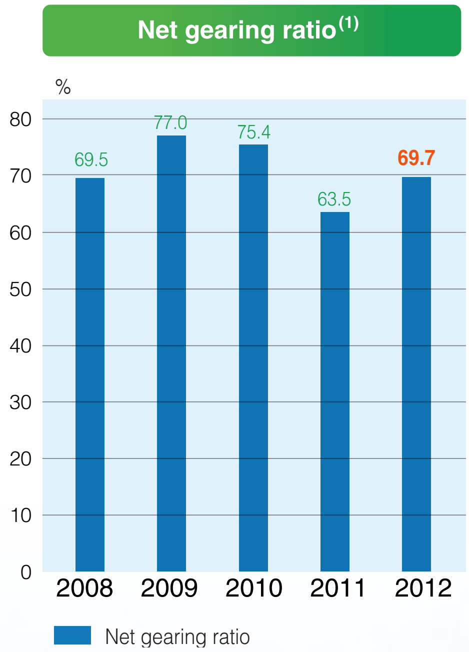
Financial and Operational Summary



Financial and Operational Summary



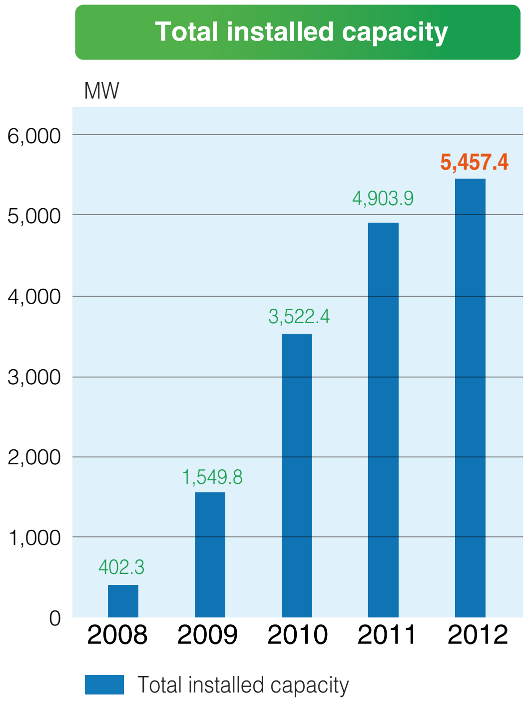


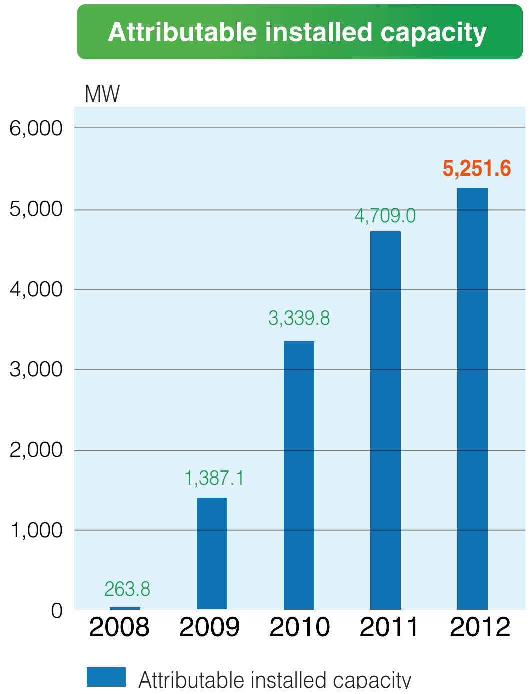


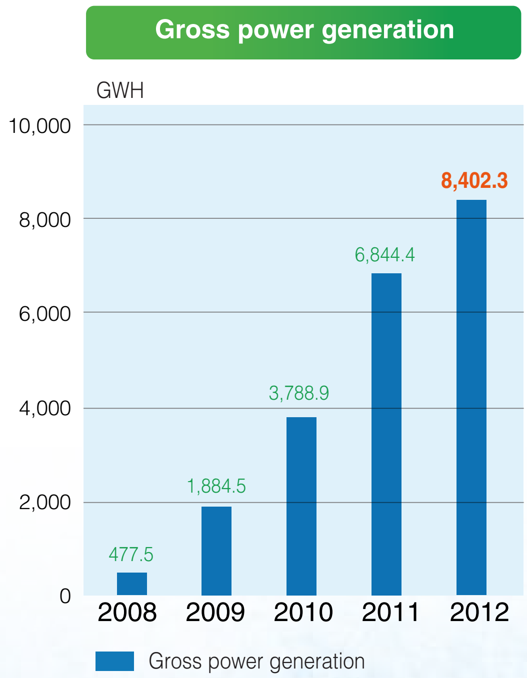
Note:

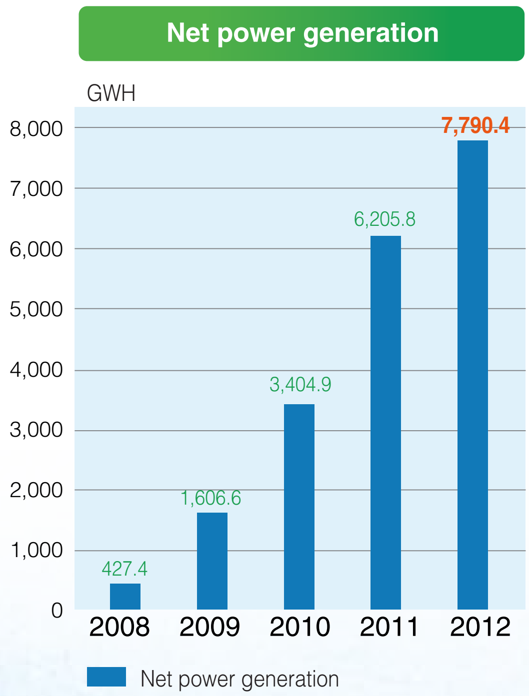
(1) The net gearing ratio is calculated by dividing the net debt (total borrowings and obligations under finance leases minus cash and cash equivalents) by the net debt plus total equity.

Financial and Operational Summary









Financial and Operational Summary

5 YEARS SUMMARY OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2008 *RMB'000*	2009 *RMB'000*	2010 *RMB'000*	2011 *RMB'000*	**2012** ***RMB'000***
Revenue	570,341	918,452	1,768,526	3,195,932	**4,026,904**
Other net income	35,613	85,317	249,832	682,522	**189,542**
Operating expenses	(447,623)	(464,225)	(884,017)	(1,526,997)	**(2,044,061)**
Operating profit	158,331	539,544	1,134,341	2,351,457	**2,172,385**
Profit for the year	107,035	320,647	609,416	1,106,821	**601,084**
Profit attributable to:					
Equity owner/Shareholders of the Company	53,188	264,433	528,275	1,023,027	**557,940**
Non-controlling interests	53,847	56,214	81,141	83,794	**43,144**
Basic and diluted earnings per share *(RMB cents)*	0.91	4.56	9.11	14.06	**6.61**

Financial and Operational Summary

5 YEARS SUMMARY OF CONSOLIDATED BALANCE SHEETS

	At 31 December				
	2008	2009	2010	2011	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Total non-current assets	9,012,091	15,950,977	30,965,653	41,356,375	**44,152,975**
Total current assets	1,912,068	1,829,697	2,478,973	10,174,321	**9,545,946**
Total assets	10,924,159	17,780,674	33,444,626	51,530,696	**53,698,921**
Total current liabilities	3,974,224	5,011,911	11,311,273	15,898,777	**14,881,944**
Total non-current liabilities	4,670,247	9,472,251	16,014,534	23,472,478	**26,125,678**
Total liabilities	8,644,471	14,484,162	27,325,807	39,371,255	**41,007,622**
NET ASSETS	2,279,688	3,296,512	6,118,819	12,159,441	**12,691,299**
Total equity attributable to the equity owner/shareholders of the Company	1,674,315	2,583,215	5,283,886	11,331,519	**11,820,042**
Non-controlling interests	605,373	713,297	834,933	827,922	**871,257**
TOTAL EQUITY	2,279,688	3,296,512	6,118,819	12,159,441	**12,691,299**

Management Discussion and Analysis

Management Discussion and Analysis

2012 BUSINESS REVIEW

In 2012, China's economic growth slowed down with slower power consumption growth compared to the previous year. The first three quarters of 2012 saw slower power consumption growth while the fourth quarter of 2012 saw a general steady recovery. Grid congestion intensified in certain regions and carbon credit prices in international markets dropped significantly. Under such a complex and volatile business environment, the management and employees of the Company made joint and innovative efforts to maintain safety production, improve economic efficiency, optimize business distribution and strengthen management capabilities so as to ensure healthy, efficient, sustainable and rapid development of the Company.

1. Maintain safety production and consistent growth of power generation

In 2012, the Company conducted a thorough assessment of equipment-related potential risks, reassured the management of its wind power turbines beyond warranty period, and strived to improve its operation and management capabilities. The Company fully completed the low voltage ride-through upgrading of its wind farms, thereby increasing the safety and stability of its equipment through technical innovation. At the same time, the Company reinforced marketing efforts to improve analysis of the power market, communications and coordination with power grid operators, and conducted multi-level marketing initiatives to resolve bottleneck issues relating to grid congestion with the aim of increasing power generation and achieving a leading position in terms of utilization hours in each regional market.

In 2012, the gross power generation of the Company amounted to 8,402.3 GWh, representing an increase of 22.8% compared with the previous year. The increase in power generation was primarily attributable to the growth of installed capacity as well as consistent improvement in operation and management capabilities.

The gross power generation of the Company's wind farms by region in 2011 and 2012 is set out as follows:

	Gross power generation (MWh)		
Region	**2012**	2011	Change
Inner Mongolia	**1,892,559.6**	2,623,142.7	–27.9%
Liaoning	**1,916,520.4**	1,647,803.4	16.3%
Shandong	**1,403,213.3**	1,206,819.3	16.3%
Yunnan	**930,827.5**	468,761.9	98.6%
Shanxi	**563,596.0**	92,908.1	506.6%
Guizhou	**339,863.8**	56,704.1	499.4%
Guangdong	**390,126.8**	200,979.6	94.1%
Hebei	**399,778.4**	210,856.7	89.6%
Xinjiang	**341,275.7**	332,338.7	2.7%
Shanghai	**122,078.5**	3,300.0	3,599.3%
Jilin	**90,097.7**	770.5	11,593.4%
Shaanxi	**12,397.7**	—	—
Total	**8,402,335.4**	6,844,385.0	22.8%

The weighted average utilization hours of the Company's wind farms in 2012 was 1,774 hours, representing a decrease of 9.6% from 2011, which was primarily attributable to intensified grid congestion in some regions in 2012. The weighted average utilization hours of the Company's wind farms by region in 2011 and 2012 are set out as follows:

	Weighted average utilization hours *(hour)*		
Region	**2012**	2011	Change
Inner Mongolia	**1,135**	1,710	–33.6%
Liaoning	**1,929**	2,104	–8.3%
Shandong	**1,936**	2,011	–3.7%
Yunnan	**2,758**	2,532	8.9%
Shanxi	**2,126**	1,491	42.6%
Guizhou	**2,335**	2,343	–0.3%
Guangdong	**2,359**	2,733	–13.7%
Hebei	**1,952**	1,699	14.9%
Xinjiang	**3,447**	3,357	2.7%
Shanghai	**2,044**	—	—
Jilin	**2,157**	—	—
Shaanxi	**2,421**	—	—
Total	**1,774**	1,962	–9.6%

Note: As of 31 December 2011, the projects located in Shanghai and Jilin province were still in commissioning period, therefore, they were not included in the calculation of weighted average utilization hours.

2. Gradual improvement of infrastructure management and further optimization of project layout

In 2012, the Company overhauled its infrastructure management capabilities and completed a number of high quality wind power projects by focusing on cost control and a thoroughly refined management process. The Huaneng Xinjiang Santanghu Wind Farm Phases I and II received High Quality Project Awards of power industry, and the Huaneng Shandong Hekou Wind Farm Phases I to IV Project received National High Quality Project Silver Award. With a focus on economic efficiency, the Company also rebalanced its wind power development and construction by focusing on regions with quality wind resources and favorable on-grid access conditions.

As of 31 December 2012, the Company had 5,457.4 MW of installed capacity, representing an increase of 11.3% compared to the previous year. In particular, its installed capacity in economically efficient provinces such as Guizhou, Guangdong and Yunnan increased by 235.7%, 57.4% and 13.2%, respectively, compared to the previous year.

The Company's installed capacity by region as of 31 December 2011 and 2012 is set out as follows:

Region	Installed capacity (MW) 2012	2011	Change
Inner Mongolia	**1,716.2**	1,716.2	0.0%
Liaoning	**1,098.0**	1,048.5	4.7%
Shandong	**793.7**	694.7	14.3%
Yunnan	**424.5**	375.0	13.2%
Shanxi	**396.0**	346.5	14.3%
Guizhou	**282.0**	84.0	235.7%
Guangdong	**271.6**	172.6	57.4%
Hebei	**249.0**	249.0	0.0%
Xinjiang	**99.0**	99.0	0.0%
Shanghai	**60.0**	60.0	0.0%
Jilin	**49.5**	49.5	0.0%
Shaanxi	**18.0**	9.0	100.0%
Total	**5,457.4**	4,903.9	11.3%

3. Expanding the approach to project development and strengthening preliminary efforts

In 2012, the Company expanded its development mode by taking collaborative development opportunities with wind power equipment manufacturers to secure quality resources. The Company continued to enhance its efforts in securing resources and, in particular, preliminary market development in provinces where it had not previously secured any resources.

In 2012, the Company entered into new development agreements with a total capacity of 3,720 MW and received approvals for 31 new projects with a total capacity of 1,550 MW, of which wind power projects accounted for 1,470 MW and photovoltaic power projects accounted for 80 MW. Most development agreements signed and projects approved in 2012 were located in regions with quality wind resources and favorable on-grid access conditions. This has laid the foundation for the development of economically efficient wind power projects.

4. Mitigating CDM market risks and pushing forward in project registration

In 2012, carbon credit prices in international market dropped significantly as a result of the Euro debt crisis and other unfavorable factors. Despite such unfavorable market conditions, the Company was fully committed to its investors and adopted a solid CERs revenue recognition approach. At the same time, the Company strived to ensure the quality and progress of the CDM projects and gave priority to project registration. In 2012, the Company achieved a record number of newly-registered projects.

As of 31 December 2012, the Company had 128 CDM projects approved by the National Development and Reform Commission (the "**NDRC**"), all of which were successfully registered with the United Nations Clean Development Mechanism Executive Board as of 31 December 2012, among which 35 were newly approved and 77 were newly registered in 2012. As of 31 December 2012, the Company received an aggregate certified emission reduction of 3,057,171 tons, including 1,175,221 tons received in 2012.

5. Enhanced financial control capabilities and effective reductions in financing costs

In 2012, the Company improved budget management and diversified funding approaches to ensure funding availability and to reduce financing costs. In October 2012, the Company successfully issued RMB2 billion corporate bonds at a weighted average coupon rate of 4.92%, which was significantly lower than bank lending rates. The Company reduced financing costs effectively by various approaches such as adjustment of the interest rate, term and manner of its deposits or borrowings throughout the year.

6. Breakthrough in the development of distributed power projects

In 2012, the Company constructed and operated the first national distributed wind project, the Huaneng Shaanxi Dingbian Langergou Distributed Demonstration Wind Farm. The project signified that the Company had resolved difficulties like fluctuations in frequency and voltage, as well as coordination problems when integrating wind generating units into the distribution grid. The project explored the approach for distributed power projects development and formulated relevant guiding principles. The Company accumulated valuable experience for further development of distributed wind power projects.

Management Discussion and Analysis

2013 BUSINESS OUTLOOK

The PRC's "12th Five-year Plan Regarding Wind Power Development" sets out that national installed wind power capacity will reach 100 GW and wind power generation will account for more than 3% of the total power generation in the PRC by 2015. Pursuant to such plan, the PRC government is in the process of strengthening the construction of the power grid, expanding the distribution of wind power and promoting wind power consumption in the power market. The government is improving relevant laws and regulations, considering the establishment of a Renewable Portfolios Standard, facilitating the guaranteed output of wind power, optimizing the distribution of wind power development, and promoting local consumption of wind power. It is an exceptionally new and rare opportunity for the development of wind power industry. However, at the same time, the Company also faces certain challenges including improving the profitability of existing projects and optimizing our overall business layout. In 2013, facing opportunities and challenges, the Company is fully committed and will further enhance its risk awareness, assess market conditions accurately, take effective measures to respond to challenges and resolve pressing issues proactively. At the same time, the Company will seize opportunities and take full advantage of favorable conditions, and will strive to take development to a new level.

Management Discussion and Analysis

In 2013, the Company will focus on performing the following tasks:

1. Persist in safe production and improve safety operation management

The Company will strengthen its overall management of equipment, further standardize the management of wind turbines beyond their respective warranty period and reinforce the centralized management of purchases of large components, generic materials and spare parts so as to reduce production costs. The Company will also take initiatives to explore and experiment with new technologies and methods in wind power, and will further formulate technical, production and management standards that are appropriate for the development of the Company.

2. Accelerate the optimization of business distribution to ensure effective development

The Company will further strengthen its preliminary development efforts through various ways including self-development and cooperative development, and will explore the potential to directly supply large customers as well as develop distributed power generation and wind-hydro synergized power generation. It will strive to optimize business distribution and effectively develop key areas with quality wind resources and favorable on-grid access conditions. The Company will endeavor to develop profitable power generation bases so as to gradually reduce its overall proportion of installed capacity in regions affected by grid congestion, and will effectively develop photovoltaic power and offshore wind power as and when appropriate.

3. **Promote the scientific management of infrastructure to ensure an effective production ramp-up**

The Company will further enhance the management of project construction by focusing on optimized design and cost control, improved control over the course of equipment installation and testing, and will further increase the reliability of operating units and the generating capability of newly-operated units. The Company will strive to develop advanced technological innovations and carry out further research on the development of distributed wind farms and actively develop low wind speed wind farm technologies.

4. **Strengthen marketing efforts to improve profitability of existing assets**

The Company will strengthen its analysis of the power market and closely follow policy trends regarding wind power grid connection and consumption, as well as policies regarding renewable energy subsidies. The Company will further explore the market, improve communications and coordination with relevant government agencies, power industry regulators and grid companies, actively participate in cross-regional power transactions, and reduce the percentage of wind power curtailment.

5. **Further strengthen financial controls to effectively limit financial risk**

The Company will ensure the availability of its capital, adopt a strategic cost management approach to strengthen cost management, and will formulate a cost-effective financial management strategy. The Company will also explore low-cost financing channels, enhance capital and budget management, further reduce funding costs, refine internal control mechanism and enhance its capability to manage and control financial risks.

6. **Strengthen investor relations to improve the Company's transparency and popularity**

In order to maintain a sustainable stable relationship with investors, the Company will improve communications with investors through various channels and approaches, and will continue to follow up on feedback from investors. The Company will also make accurate, true, complete and timely disclosure of the Company's information in strict compliance with regulatory requirements, keep investors duly informed of the business condition and performance of the Company to ensure that investors can accurately assess the growth potential and market value of the Company, and to improve market confidence and the reputation of the Company in the capital markets.

Management Discussion and Analysis

RESULTS OF OPERATIONS AND ANALYSIS

Overview

In 2012, the Group's profit for the year amounted to RMB601.1 million, representing a decrease of RMB505.7 million or 45.7% as compared with RMB1,106.8 million for 2011. Profit attributable to shareholders of the Company amounted to RMB557.9 million, representing a decrease of RMB465.1 million or 45.5% as compared with RMB1,023.0 million for 2011.

1. Operating Results

- *Revenue*

  In 2012, the revenue of the Group amounted to RMB4,026.9 million, representing an increase of RMB831.0 million or 26.0% as compared with RMB3,195.9 million for 2011. The increase in revenue was mainly attributable to the increase of revenue from the sale of wind power generated electricity. Revenue from the sale of wind power generated electricity was RMB4,025.5 million, representing an increase of RMB865.4 million or 27.4% as compared with RMB3,160.1 million for 2011, which was attributable to an increase of wind power generated electricity due to the expansion in operational capacity.

- *Other net income*

  In 2012, other net income of the Group amounted to RMB189.5 million, representing a decrease of RMB493.0 million or 72.2% as compared with RMB682.5 million for 2011. The decrease was primarily due to a substantial decrease of CERs income.

- *Operating expenses*

  In 2012, operating expenses of the Group amounted to RMB2,044.1 million, representing an increase of RMB517.1 million or 33.9% as compared with RMB1,527.0 million for 2011. The increase was primarily due to an increase in depreciation and amortisation expenses as a result of the expansion in operational capacity.

  Depreciation and amortisation: In 2012, depreciation and amortisation expenses of the Group amounted to RMB1,612.0 million, representing an increase of RMB442.7 million or 37.9% as compared with RMB1,169.3 million for 2011. The increase was due to the expansion of operational capacity of wind power projects.

  Personnel costs: In 2012, personnel costs of the Group amounted to RMB151.0 million, representing an increase of RMB33.0 million or 28.0% as compared with RMB118.0 million in 2011. The increase was primarily due to operational expansion, as well as commencement of operation of more projects which resulted in part of the personnel costs being recorded in profit or loss.

  Administrative expenses and other operating expenses: In 2012, administrative expenses of the Group amounted to RMB126.8 million, representing an increase of RMB9.0 million or 7.7% as compared with RMB117.8 million for 2011. In 2012, other operating expenses of the Group amounted to RMB103.9 million, representing an increase of RMB11.8 million or 12.8% as compared with RMB92.1 million for 2011. The increase in other operating expenses was primarily due to the increased costs incurred from insurance premiums for properties and operational taxes and related expenses as a result of commencement of operations of more projects.

- *Operating profit*

  In 2012, operating profit of the Group amounted to RMB2,172.4 million, representing a decrease of RMB179.1 million or 7.6% as compared with RMB2,351.5 million for 2011.

- *Net finance expenses*

  In 2012, net finance expenses of the Group amounted to RMB1,541.8 million, representing an increase of RMB329.4 million or 27.2% as compared with RMB1,212.4 million for 2011. The increase was primarily due to an increase in interests incurred from newly-operated projects that ceased capitalization of interest expenses and an increase in total borrowings.

- *Income tax*

  In 2012, the income tax of the Group amounted to RMB29.5 million, representing a decrease of RMB2.8 million or 8.5% as compared with RMB32.3 million for 2011. The decrease was mainly attributable to the decrease in profit before taxation.

2. Liquidity and capital resources

As of 31 December 2012, the total current assets of the Group amounted to RMB9,545.9 million, including cash at banks and on hand and restricted deposits of RMB5,677.7 million, trade debtors and bills receivable of RMB3,302.6 million, of which trade debtors included trade debtors in respect of sales of electricity of RMB3,214.0 million and CDM receivables of RMB81.9 million as well as prepayments and other current assets of RMB561.5 million (primarily consisted of CDM receivables). The total current liabilities of the Group amounted to RMB14,881.9 million mainly included short-term borrowing (including long-term borrowings due within one year) of RMB8,276.4 million and other payables of RMB6,213.6 million which primarily consisted of payables for equipment purchased from suppliers, construction, and retention deposits. As of 31 December 2012, the current ratio (the ratio of total current assets to total current liabilities) of the Company was 0.64, which remained stable as compared with that of 0.64 for 2011.

As of 31 December 2012, the outstanding borrowings of the Group amounted to RMB30,281.2 million, representing an increase of RMB4,265.3 million as compared with RMB26,015.9 million as of 31 December 2011. As of 31 December 2012, the outstanding borrowings together with short-term borrowings (including long-term borrowings due within one year) of the Group amounted to RMB8,276.4 million, and long-term borrowings (including corporate bonds) of the Group amount to RMB22,004.8 million. These borrowings were primarily denominated in Renminbi.

3. Capital expenditure

In 2012, the capital expenditure of the Group amounted to approximately RMB5.1 billion, representing a decrease of approximately RMB6.8 billion or 57.1% as compared with approximately RMB11.9 billion for 2011. Capital expenditures incurred from construction of wind power projects were approximately RMB4.9 billion, and other capital expenditures amounted to approximately RMB0.2 billion. The capital expenditure was mainly funded by internal resources, bank borrowings, and other financing sources.

4. Net gearing ratio

As of 31 December 2012, the net gearing ratio of the Group, which was calculated by dividing the net debt (total borrowings and obligations under finance leases minus cash and cash equivalents) by the net debt plus total equity, was 69.7%, representing an increase of 6.2 percentage points as compared with 63.5% as of 31 December 2011.

5. **Material investment**

The Group did not make any material investments in 2012.

6. **Material acquisition and disposal**

The Group did not conduct any material acquisitions or disposals in 2012.

7. **Pledge of assets**

The Group did not pledge any assets in 2012.

8. **Contingent liabilities**

The Group had no material contingent liabilities as of 31 December 2012.

RISK FACTORS AND RISK MANAGEMENT

1. **Grid congestion risk**

The wind power industry in the PRC experienced rapid growth during the past few years. At the same time, wind power generation is restricted because of a mismatch of power grid facilities in certain regions, and priority was given to co-generation units in northern areas in winter. These factors affected the Company's income from electricity sales. As such, the Company will optimize project distribution by refocusing project development on regions with favorable on-grid access conditions. The Company will also actively provide technical support to upgrade power grid facilities and strengthen its marketing efforts in regions affected by grid congestion so as to minimize the impact of power curtailment.

2. Climatic risk

Power generation of wind power projects depends on local climate conditions, particularly wind conditions. Wind resources are subject to the influences of general climate changes, seasonal changes and geographical location variations. Hence, the power generation of wind power projects may not meet expectations, and this may affect the Company's financial position and operating results. Additionally, extreme weather or uncertain climatic factors may hinder the construction of wind power projects. In view of the impact of such climatic uncertainties on wind power generation, the Company, on one hand, has designated a professional wind resource assessment team capitalising on advanced wind resource assessment technologies to improve the projection of wind resources. On the other hand, the Company has in place a professional team specialising in the maintenance and overhaul of wind turbines to ensure the availability of wind turbines that will, in turn, increase power generation. To address the impact of climate conditions on the construction progress of projects, the Company has drawn upon its extensive experience in the management of wind power project construction schedules. Through the stringent control of the project construction process, the Company will strive to complete its projects within a prescribed period of time so as to achieve targets set for the relevant projects.

3. Industry and competition risk

As competition for project resources has intensified in the industry, developing new projects has become much more difficult for the Company. The PRC National Energy Administration (the "**NEA**") administers wind power construction projects through certain arrangements and has strengthened project approval management, which may impact the fast growth of the Company. As such, the Company will enhance its communications with the NEA to have more projects included in the NEA's approval plan. Meanwhile, it will take initiatives to develop wind power resources in regions where the Company has not previously secured any resources, and will improve the quality and efficiency of its projects.

4. Financial risk

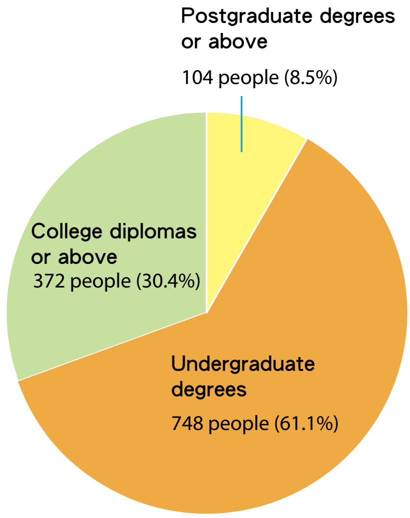
The business of the Company is located solely in the PRC where the majority of its revenue and expenses are denominated in Renminbi, except for sales of CERs which are denominated in Euros. The Company has a portion of foreign borrowings and deposits (denominated in Hong Kong dollars, U.S. dollars and Euros), and most foreign deposits comprise proceeds received from the Company's initial public offering. Therefore, fluctuations in the Renminbi exchange rate will result in foreign exchange losses or gains in transactions denominated in foreign currencies. To strengthen the management of exchange rate risks, the Company has closely monitored and analysed the fluctuations in foreign exchange rates and adopted various management approaches to manage such risks.

Any changes in interest rate would affect the Company's financing costs. The Company has acquired sufficient credit facilities from banks to ensure a sufficient amount of capital. Additionally, financing costs could be further reduced by means of low-cost financing. The Company will keep abreast of changes in the economic environment, analyze trends in bank interest rates and reinforce the management of its debt portfolio to adjust its debt structure in a timely manner.

Human Resources

1. SUMMARY OF HUMAN RESOURCES

As of the end of December 2012, the Company had a total of 1,224 employees, among which 104 had postgraduate degrees or above (representing 8.5% of our employees), 748 had undergraduate degrees (representing 61.1% of our employees), 372 had college diplomas or below (representing 30.4% of our employees).



Total of 1,224 full-time employees(100%)

2. STAFF INCENTIVES

The Company has implemented a company-wide annual compensation system management with different categories of compensation mechanisms. Compensations are adjusted to reflect contributions of individuals and departments as well as collaboration among different departments, which cultivates a result and efficiency oriented working culture. The Company has also put in place a recognition system to acknowledge talents with outstanding contribution for the growth of the Company.

3. STAFF TRAINING

The Company has strengthened training and education for its employees with the view to enhancing their professional capabilities. The Company has organized various levels and categories of trainings in 2012 for various personnel ranging from management to technical employees. The Company provides a four-level orientation and training to newly-joined staff and designs training programs based on individualized professional and specialty background, i.e., management interface cognition, standardized management of power generation system, wind power enterprises basic practice and refine management of listed companies. The basic practice training of the Company's subsidiaries includes a variety of professional training courses given by professional lecturer and experienced technical experts. The training programs have made great progress in terms of enhancing the professional quality of our existing staff. The Company actively encourages on-the-job training, appraisal and certification of skilled personnel.

4. REMUNERATION POLICY

The Company has implemented a system that scientifically determines employee's remuneration with an emphasis on their evaluation results. It awards its subsidiaries who meet or exceed expectations on task completion, encourages special contributions and adjusts remuneration based on efficiencies. The Company cares about frontline staff and staff who work in remote areas or who face difficult living conditions. The Company provides income incentives based on job performance and management of responsibilities.

Social Responsibility Report

ENVIRONMENTAL PROTECTION

The Company is committed to the investment, construction and operation of wind power projects. With wind resource development and utilization as its core business, and with providing green energy, promoting energy saving and emission reduction and improving environmental quality as its responsibilities, the Company is committed to delivering green energy. The Company attaches great importance to both domestic and overseas policies addressing climate changes, actively promotes energy saving and emission reduction, and endeavors to improve environmental condition. The Company performs preliminary environmental evaluations at early stages of projects and conducts quantitative analysis on the potential environmental impacts of such projects. In preparing a preliminary feasibility study for wind farms, the Company strictly complies with relevant administrative regulations by implementing an environmental impact evaluation system, which primarily involves analysis of impacts on ecology, water, noise level, atmosphere, natural landscape and electro-magnetic radiation that may be generated by a wind farm. Accordingly, the Company designs protective measures and implements environmental management and a review system, and formulates an estimated budget for environmental protection to achieve a win-win situation for the development and utilization of wind resources and ecology and environmental protection. During the course of project construction and operation, the Company adopts the concept of energy saving and environmental protection, adopts all measures to strengthen environmental protection management during the construction and operation stage, attaches great importance to the “three simultaneousness” of both environmental protection and water preservation (i.e., to simultaneously design, construct and operate facilities for soil and water conservation and main framework construction), and integrates the construction of wind farms with their surroundings by incorporating them into their external natural environment to create green wind power projects that are “environmentally-friendly, eco-harmonic and profit-oriented”. This gives the local landscape a brilliant view.

Social Responsibility Report

As a renewable energy business, the Company diligently fulfilled the responsibility of energy saving and emission reduction in 2012 by generating green electricity of 8,402.3 GWh, equivalent to reduced emission of approximately 8.32 million tons of carbon dioxide or a saving of 2.74 million tons of standard coal. In 2012, the Company successfully registered 77 CDM projects with the CDM EB of the United Nations.

SAFE PRODUCTION

The Company always considers production safety as the basis of its operation and development and a prerequisite to conduct all of its activities. The Company ensures strict compliance with state laws and regulations regarding power industry, increases contribution for safe production and strives to reinforce the basis for safe production. In 2012, the Company further strengthened the construction of its systems, improved its accountability mechanism, regulated the operation and inspection of wind power farms and the management of contracted projects, and accelerated the construction of the management system for safe production. The Company has also focused on prevention of non-compliant practices, examination and prevention of potential risks, and provision of safe production trainings to lower the probability of occurrence of accidents and to ensure smooth and orderly business operations of the Company. In 2012, the Company maintained a safe production environment as a whole and recorded no incident involving casualties.

Corporate Governance Report

The board (the "Board") of directors (the "Directors") of the Company hereby presents to the shareholders the corporate governance report for the period between 1 January 2012 and 31 December 2012 (the "Reporting Period").

CORPORATE GOVERNANCE PRACTICES

The Company has always placed an emphasis on corporate governance and promotion of innovative management of its corporate system. The Company is committed to maintaining and promoting stringent corporate governance, and considered it as an indispensable part in creating values for shareholders. The principle of the Company's corporate governance is to promote effective internal control measures and to increase the transparency and accountability of the Board to all shareholders. The Company has adopted the Code on Corporate Governance Practices (the "Former Code") (between 1 January 2012 and 31 March 2012) and the Corporate Governance Code (the "Revised Code") which took effect as of 1 April 2012 (between 1 April 2012 and 31 December 2012) in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"). The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Code. During the Reporting Period, except for the following deviations, the Company strictly complied with the principles and code provisions and some of the recommended best practices as set out in the Code. Mr. CAO Peixi (Non-executive Director, Chairman of the Board and chairman of the nomination committee), Mr QIN Haiyan (Independent Non-executive Director, chairman of the remuneration committee and member of the nomination committee) and Mr. ZHOU Shaopeng (Independent Non-executive Director, chairman of the audit committee and member of the nomination committee) did not attend the annual general meeting of the Company held on 26 June 2012 due to work commitment. This constitutes deviations from code provisions A.6.7 and E.1.2 of the Revised Code regarding requirements on attendance of general meetings and other relevant matters.

Set out below is a summary of how the Company strengthens its corporate governance, improves its operation quality and complies with the Former Code and the Revised Code.

Corporate Governance Report

1. BOARD OF DIRECTORS

The Board exercises its powers and functions in accordance with the provisions as set out in the articles of association of the Company (the "Articles of Association"). The Articles of Association contain certain requirements regarding the composition and operation of the Board. The Board reports its work at the shareholders meetings, implements the resolutions passed thereupon and is accountable to shareholders meetings.

1. Composition of the Board

The Board comprises 11 Directors, including three Non-executive Directors, four Executive Directors, and four Independent Non-executive Directors. The biographical details of the Directors as at the date of this report are set out on page 72 to page 81 of this annual report. There are no relationships (including financial, business, family or other material or relevant relationship) among the Board members. Each Director has sound knowledge, experience and expertise relevant to the business operation and development of the Company. All Directors are aware of their joint and several responsibilities to shareholders.

The Company has entered into service contracts with each of the Directors with a term ending in August 2013 from the relevant date of appointment.

Name	Position in the Company	Date of Appointment
CAO Peixi	Chairman of the Board, Non-executive Director	4 August 2010
ZHANG Tingke	Vice Chairman of the Board, Non-executive Director	1 November 2011
ZHAO Keyu	Non-executive Director	4 August 2010
ZHAO Shiming[(1)]	Executive Director, President	4 August 2010
LIN Gang[(1) (2)]	Executive Director, President	23 February 2012
NIU Dongchun[(2)]	Executive Director	4 August 2010
YANG Qing	Executive Director	4 August 2010
HE Yan	Executive Director	4 August 2010
QIN Haiyan	Independent Non-executive Director	6 August 2010
DAI Huizhu	Independent Non-executive Director	6 August 2010
ZHOU Shaopeng	Independent Non-executive Director	6 August 2010
WAN Kam To	Independent Non-executive Director	6 August 2010

Notes:

(1) Mr. ZHAO Shiming resigned as an Executive Director, chairman of the nomination committee under the Board and President of the Company on 23 February 2012. On the same day, Mr. LIN Gang was appointed by the Board as a substitute Executive Director and the President of the Company. On 26 June 2012, Mr. LIN Gang was appointed as an Executive Director of the Company at the annual general meeting. For details, please refer to the Company's announcements dated 23 February 2012 and 26 June 2012.

(2) Mr. NIU Dongchun resigned as an Executive Director and a member of the remuneration committee under the Board of the Company on 19 March 2013. On the same day, Mr. LIN Gang was appointed by the Board as a member of the remuneration committee under the Board of the Company. For details, please refer to the Company's announcement dated 19 March 2013.

During the Reporting Period, the Board had been in compliance with the requirements of the Listing Rules regarding the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, and no less than one third of the Board was represented by Independent Non-executive directors. The qualifications of the four Independent Non-executive Directors of the Company are in full compliance with the requirements under Rules 3.10(1) and (2) and Rule 3.10A of the Listing Rules. Moreover, the Company has received annual confirmations from each Independent Non-executive Director of his independence in accordance with Rule 3.13 of the Listing Rules. The Company therefore considered that all Independent Non-executive Directors are in compliance with the independence requirements as set out in the Listing Rules.

On diversity, the Board consists of Directors with different backgrounds who are able to provide the Company with professional advice on various aspects. Currently the Board has two female Directors.

The Board has reviewed its performance during the Reporting Period, obtained advice from senior management and considered the advice contained in the report of the Board of Supervisors. The Board believes that it has effectively performed its responsibilities and maintained the interests of the Company and shareholders in the past year.

2. Board and Shareholders Meetings

The Articles of Association set forth detailed responsibilities and procedures of the Board (please refer to the Articles of Association). The Board will convene regular meetings to hear business results report of the Company and make prompt decisions. Major business decisions of the Company are subject to discussion and approval by the Board. The Board may convene ad hoc meetings. Each Director should be notified no less than 14 days prior to a regular Board meeting to ensure each Director is duly informed of meeting agenda and will be able to express opinion. Each Independent Non-executive Director should express opinion within their responsibility.

Except for the Board's consideration of matters in relation to connected transactions as stipulated by the Articles of Associations, the quorum for a Board meeting is at least half of the total number of the Directors. A Director may attend the Board meeting in person, or appoint another Director in writing as his proxy to attend the Board meeting. The secretary to the Board is responsible for preparing and keeping minutes of Board meetings and ensuring that such minutes are available for inspection by any Director.

During the Reporting Period, five meetings were held by the Board. Details of Directors' attendance of Board meetings are as follows:

Name	Position in the Company	Number of Meetings Attended/Held	Attendance Rate
CAO Peixi	Chairman of the Board, Non-executive Director	4/5	80% (Additional attendance by proxy: 1)
ZHANG Tingke	Vice Chairman of the Board, Non-executive Director	5/5	100%
ZHAO Keyu	Non-executive Director	5/5	100%
ZHAO Shiming(1)	Executive Director, President	N/A(1)	N/A(1)
LIN Gang(1) (2)	Executive Director, President	4/5	80% (Additional attendance by proxy: 1)
NIU Dongchun(2)	Executive Director	5/5	100%
YANG Qing	Executive Director	5/5	100%
HE Yan	Executive Director	5/5	100%
QIN Haiyan	Independent Non-executive Director	5/5	100%
DAI Huizhu	Independent Non-executive Director	5/5	100%
ZHOU Shaopeng	Independent Non-executive Director	5/5	100%
WAN Kam To	Independent Non-executive Director	5/5	100%

Notes:

(1) Mr. ZHAO Shiming resigned as an Executive Director, chairman of the nomination committee under the Board and President of the Company on 23 February 2012. On the same day, Mr. LIN Gang was appointed by the Board as a substitute Executive Director and the President of the Company. On 26 June 2012, Mr. LIN Gang was appointed as an Executive Director of the Company at the annual general meeting. For details, please refer to the Company's announcements dated 23 February 2012 and 26 June 2012.

(2) Mr. NIU Dongchun resigned as an Executive Director and a member of the remuneration committee under the Board of the Company on 19 March 2013. On the same day, Mr. LIN Gang was appointed by the Board as a member of the remuneration committee under the Board of the Company. For details, please refer to the Company's announcement dated 19 March 2013.

Mr. CAO Peixi, Mr. NIU Dongchun, Mr. QIN Haiyan and Mr. ZHOU Shaopeng did not attend the 2011 annual general meeting held on 26 June 2012 due to work committment. Mr. ZHAO Shiming had resigned from the Company at that time. All other Directors attended the 2011 annual general meeting.

The Company believes that all Directors have contributed sufficient time to perform their responsibilities.

3. Powers Exercised by the Board and the Management

The powers and duties of the Board and the management have been clearly defined in the Articles of Association. The Board is responsible for deciding on the Company's business strategies and investment plans and the establishment of the Company's internal management structure, formulating the Company's fundamental management system, deciding on and monitoring the implementation of the Company's risk management system, determining other material business and administrative matters of the Company and monitoring the performance of the management.

The management of the Company is responsible for implementing resolutions approved by the Board and administering the Company's daily operation and management.

4. Chairman and President

During the Reporting Period, Mr. CAO Peixi was the Chairman of the Board. Mr. ZHAO Shiming served as the President for the period between 1 January 2012 and 23 February 2012, and Mr. LIN Gang acted as the President since 23 February 2012. The roles of the Chairman of the Board and President (i.e. chief executive officer pursuant to the relevant Listing Rules) of the Company are separated and held by different persons to ensure independence of responsibilities and balance of power and authority between them. The Rules and Procedures of the Board Meeting approved by the Board clearly defined the division of duties between the Chairman and the President.

Mr. CAO Peixi, Chairman of the Board, is primarily responsible for leading the Board in determining the overall development strategies of the Company, ensuring that the Board is functioning effectively in performing its duties, ensuring the formulation of good corporate governance system and practices and ensuring that the Board acts in the best interest of the Company and all of its shareholders. Each of Mr. ZHAO Shiming, acting as the President for the period between 1 January 2012 and 23 February 2012, and Mr. LIN Gang, acting as the President since 23 February 2012, was primarily responsible for matters including the Company's daily operation and management, implementation of Board resolutions, formulating basic management provisions and making daily operation decisions.

5. Directors' Remuneration

The remuneration committee makes recommendations in respect of Directors' remuneration according to criteria such as work experience. Directors' remuneration is determined by the Board with reference to recommendations from the remuneration committee, Directors' experience, work performance, position and market condition and is subject to approval of the shareholders in general meetings.

6. Appointment and Re-election of Directors

Pursuant to the Articles of Association, Directors shall be elected at general meetings with a term of office of three years and may be re-appointed. The Company has implemented a set of effective procedures for the appointment of new Directors. Nomination of new Directors shall first be considered by the nomination committee whose recommendations will then be put forward to the Board for consideration. All newly nominated Directors are subject to election and approval at general meetings. Any person who is appointed by the Board to fill in the vacancy of the Board or to increase the Board number shall hold the position until the date of the next annual general meeting and is entitled to re-appointment and re-election.

7. Continuing Professional Development of Directors

During the Reporting Period, all Directors were provided with necessary orientation training and adequate information in a timely manner to ensure their appropriate understanding of the operations and businesses of the Company and their responsibilities under applicable regulations, ordinances and the Listing Rules.

The Company keeps all Directors informed of any update of the Listing Rules and any other applicable regulations. The Company provides relevant training to the Directors to ensure compliance and enhance their understanding of good corporate governance practices. The Company provides briefing and other trainings to improve and update the knowledge and skills of the Directors.

Below is a summary of the trainings received by the Directors for the period between 1 April 2012 and 31 December 2012 based on the records provided by the Directors:

Name	**Category of Continuing Professional Development**
CAO Peixi	B
ZHANG Tingke	B
ZHAO Keyu	B
ZHAO Shiming(1)	N/A(1)
LIN Gang(1) (2)	A, B
NIU Dongchun(2)	A, B
YANG Qing	A, B
HE Yan	A, B
QIN Haiyan	B
DAI Huizhu	B
ZHOU Shaopeng	B
WAN Kam To	A, B

Notes:

A: attending briefing and/or seminar.

B: reading seminar materials and other updated information regarding the development of the Listing Rules and other applicable regulations.

(1) Mr. ZHAO Shiming resigned as an Executive Director, chairman of the nomination committee under the Board and President of the Company on 23 February 2012. On the same day, Mr. LIN Gang was appointed by the Board as a substitute Executive Director and the President of the Company. On 26 June 2012, Mr. LIN Gang was appointed as an Executive Director of the Company at the annual general meeting. For details, please refer to the Company's announcements dated 23 February 2012 and 26 June 2012.

(2) Mr. NIU Dongchun resigned as an Executive Director and a member of the remuneration committee under the Board of the Company on 19 March 2013. On the same day, Mr. LIN Gang was appointed by the Board as a member of the remuneration committee under the Board of the Company. For details, please refer to the Company's announcement dated 19 March 2013.

2. BOARD COMMITTEES

There are three Board committees, namely the audit committee, remuneration committee and nomination committee.

Audit Committee

The audit committee consists of three Non-executive Directors, namely, Mr. ZHOU Shaopeng (Independent Non-executive Director), Mr. ZHAO Keyu (Non-executive Director) and Mr. WAN Kam To (Independent Non-executive Director). Mr. ZHOU Shaopeng currently serves as the chairman of the audit committee.

The primary responsibilities of the audit committee are to review and supervise the internal control and financial reporting process of the Company and to maintain an appropriate relationship with independent auditors, including, among other things:

- advising the Board in respect of appointment, re-appointment and removal of independent auditors, reviewing and approving the compensation of independent auditors, supervising the work of independent auditors and formulating policies in terms of all non-audit services to be provided by independent auditors;

- reviewing the Company's annual and interim financial statements, financial control, internal control and risk management system and its financial and accounting policies and supervising the implementation of such policies;

- reviewing the procedures for the treatment of complaints received by the Company regarding its financial reporting process, internal control and other violation of laws and regulations; and

- reviewing the Company's continuing connected transactions and ensuring that the terms of such transactions are consistent with those approved by the shareholders of the Company.

The audit committee will meet with the management of the Company from time to time in performing its obligations to review annual results and internal control systems of the Company and other responsibilities under the Former Code and the Revised Code, so as to review the interim and annual results, interim and annual reports, and other financial, internal control, corporate governance and risk management matters of the Company. The audit committee also proposes recommendations to the Board. The audit committee will meet with external auditors in the absence of the management (if applicable) to discuss its independent review of the interim report and the consolidated annual financial statements.

During the Reporting Period, the audit committee held two meetings, the details of which are as follows:

(1) On 19 March 2012, the audit committee of the first session of the Board held its first meeting in 2012 to review and pass the following resolutions (1) the Company's 2011 financial statements; (2) the Company's 2011 annual results announcement and 2011 annual report; (3) the audit report from KPMG regarding the Company's 2011 annual financial conditions; and (4) the engagement of KPMG as the auditor of the Company for 2012.

(2) On 20 August 2012, the audit committee of the first session of the Board held its second meeting in 2012 to review and pass the following resolutions (1) the Company's 2012 interim financial report; (2) the Company's 2012 interim results announcement and interim report; (3) decision not to distribute interim dividend by the Company; and (4) the review opinion from KPMG regarding the Company's 2012 interim financial conditions.

Mr. ZHOU Shaopeng and Mr. WAN Kam To attended both meetings. Mr. ZHAO Keyu attended the first meeting and did not attend the second meeting due to working commitment.

Remuneration Committee

During the Reporting Period, the remuneration committee consists of three Directors, namely, Mr. QIN Haiyan (Independent Non-executive Director), Mr. Niu Dongchun[1] (Executive Director) and Ms. DAI Huizhu (Independent Non-executive Director). Mr. QIN Haiyan currently serves as the chairman of the remuneration committee.

The remuneration committee has rules of procedure, which provide that its primary responsibilities are to formulate the remuneration policies and schemes for all Executive Directors, to evaluate the performance of Executive Directors and senior management, to review Directors' service contracts, to determine the compensation of Directors and senior management and to ensure that neither the Director nor any of his or her associate may determine his or her own compensation etc.

The remuneration committee will make recommendations to the Board regarding appropriate policies and structure for the compensations of all Directors and senior management. The remuneration committee considers the management's incentive plan with reference to the corporate objective and mission set by the Board as well as the compensation provided by comparable companies, the time spent and responsibilities undertaken by the management regarding the Company's businesses, and the employment conditions provided by other companies so as to ensure that the compensation incentive is in line with the interests of the shareholders.

Note:

(1) Mr. NIU Dongchun resigned as an Executive Director and a member of the remuneration committee under the Board of the Company on 19 March 2013. On the same day, Mr. LIN Gang was appointed by the Board as a member of the remuneration committee under the Board of the Company. For details, please refer to the Company's announcement dated 19 March 2013.

On 19 March 2012, the remuneration committee of the first session of the Board held its first meeting in 2012 to consider the remuneration of Directors and senior management members of the Company for the year 2012. All members of the remuneration committee attended the meeting.

Nomination Committee

During the Reporting Period, the nomination committee of the Company consisted of three Directors, namely, Mr. ZHAO Shiming(1) (Executive Director) (between 1 January 2012 and 23 February 2012), Mr. CAO Peixi (Non-executive Director) (since 19 March 2012), Mr. ZHOU Shaopeng (Independent Non-executive Director) and Mr. QIN Haiyan (Independent Non-executive Director). Mr. CAO Peixi currently serves as the chairman of the nomination committee(1).

The primary responsibilities of the nomination committee are to identify and recommend to the Board candidates suitable to serve on the Board, to review the evaluation procedure of the performance of the Board, and to formulate and recommend to the Board nomination procedures and standards.

The nomination committee will consider the track record, qualifications, overall market conditions and applicable provisions in the Articles of the Association of the Company in selecting and recommending candidates of directorship.

During the Reporting Period, the nomination committee held one meeting.

On 23 February 2012, the nomination committee of the first session of the Board held its first meeting in 2012 to consider the nomination of Mr. LIN Gang as an Executive Director of the Company. All members of the nomination committee attended the meeting.

Note:

(1) Mr. ZHAO Shiming resigned as an Executive Director, chairman of the nomination committee under the Board and President of the Company on 23 February 2012. For details, please refer to the Company's announcement dated 23 February 2012. Mr. CAO Peixi was appointed by the Board as the chairman of the nomination committee under the Board of the Company on 19 March 2012. For details, please refer to the Company's announcement dated 30 March 2012.

3. DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2012. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. In addition, appropriate insurance coverage for Directors' liability has been arranged against possible legal proceedings to be taken against the Directors.

4. CORPORATE GOVERNANCE FUNCTIONS

The members of the Board should be jointly responsible to perform corporate governance responsibilities. During the Reporting Period, the Board performed the following duties in accordance with its terms of reference:

- To develop and review the Company's policies and practices on corporate governance and make changes as it deems necessary, and to ensure their effectiveness;

- To review and monitor the training and continuing professional development of Directors and senior management;

- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- To develop, review and monitor the code of conduct and the compliance manual (if any) applicable to Directors and employees; and

- To review the Company's compliance with the Former Code and the Revised Code and to review the disclosure in the corporate governance report.

5. COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules to govern securities transactions by its Directors and supervisors. Having made specific enquiry to all Directors and supervisors of the Company, all Directors and supervisors have confirmed that they strictly complied with the required standard set out in the Model Code during the Reporting Period.

The Board will examine the corporate governance practices and operation of the Company from time to time so as to ensure compliance with relevant requirements under the Listing Rules.

6. INTERNAL CONTROL

The Company places emphasis on its internal control. It has established a prudent internal control system to protect shareholders' investments and the Company's assets.

The Company set up several rules and regulations on internal control, including "Rules and Procedures of the Board Meeting"(《董事會議事規則》), "Rules and Procedures of Meetings of the Audit Committee"(《審核委員會議事規則》), "Rules and Procedures of Meetings of the Remuneration Committee"(《薪酬委員會議事規則》), "Rules and Procedures of Meetings of the Nomination Committee"(《提名委員會議事規則》), "Rules on the Conduct of Connected Transactions" (《關連交易管理辦法》), "Provisions on Information Disclosure" (《信息披露管理辦法》), "Rules on Legal and Compliance Matters" (《法律事務工作管理辦法》), "Provisions on Asset Management" (《固定資產管理辦法》), "Rules on Financial Statements" (《財務會計報告制度》), "Rules on Routine Accounting" (《日常會計核算制度》), and "Rules on Capital Management" (《資金管理制度》), which have been updated in accordance with the prevailing laws and regulations of the PRC and Listing Rules from time to time. The Company has also engaged experts to provide compliance training to its employees to enable them to understand the importance of compliance and internal audit practices.

The Company also established various departments to ensure compliance with relevant laws and regulations, including specialized departments responsible for liaising with regulatory authorities to obtain necessary government approvals, permits, licenses and property certificates prior to the commencement of construction; commercial departments to organize bidding processes and procurement for wind power equipment and selection of contractors for project construction; safety departments to periodically monitor the safety of the Company's subsidiaries' project construction and operations; and auditing departments which report their findings directly to the management based on their periodical review of the Company's financial management and the development, construction and operations of wind farms.

During the Reporting Period, the Board conducted a review of the effectiveness and assessed the internal control systems of the Company and was not aware of any material deficiencies nor any material defaults with respect to financial, operational and compliance controls and risk management. The Board considers that the current internal control system of the Company is effective and believes that the qualifications and experience of the staff of the Company's accounting and financial reporting functions, its training programs and budget are adequate.

7. AUDITORS AND REMUNERATION

KPMG and KPMG Huazhen were engaged as the international and domestic auditors of the Company respectively for the year ended 31 December 2012. KPMG Huazhen was approved by authorized authority to convert to KPMG Huazhen (SGP). Relevant practicing qualifications and responsibilities of KPMG Huazhen would be assumed by KPMG Huazhen (SGP).

For the year ended 31 December 2012, the fee for audit services was RMB10.90 million. For the year ended 31 December 2012, the fees payable to auditors for non-audit services was RMB4.65 million. The non-audit services mainly involved review of the Company's interim results and services relating to the issue of corporate bonds in 2012.

The responsibilities of the Company's external auditor, KPMG, regarding its report on the Financial Statements are set out on page 82 of this annual report.

8. COMMUNICATIONS WITH SHAREHOLDERS

The Company attaches great importance to shareholders' opinions and advice. It actively organized various communications with investors and analysts to maintain good relationships and made timely responses to reasonable requests of shareholders.

The Company has established both Chinese and English websites as the platform for disclosure of the Company's information. The Company publishes its announcements, financial information and other relevant information on the website at www.hnr.com.cn. Shareholders are welcome to make enquiries directly to the Company and the Company will respond to all enquiries in a timely and appropriate manner.

During the Reporting Period, the Company convened an annual general meeting. In March and August, 2012, respectively, the management of the Company carried out 2011 annual results roadshow and 2012 interim results roadshow in Hong Kong, made direct contact with institutional investors and analysts by way of two analyst meetings, one press conference and "one-on-one" conferences. The Company also participated in three investor conferences and met with over 50 institutional investors to present the operational condition and development plan of the Company so that investors can better understand the Company and its business.

According to article 63 of the Articles of Association, the Directors shall convene an extraordinary general meeting within two months where shareholder(s) who individually or jointly holds 10% or more of the Company's issued and outstanding voting shares request(s) in writing for the convening of an extraordinary general meeting.

According to article 66 of the Articles of Association, when the Company convenes a shareholders' annual general meeting, shareholder(s) holding 3% or more of the total voting shares of the Company are entitled to propose to the Company in writing ad hoc resolutions, which if within the functions and powers of the shareholders' general meeting, are required to be added to the agenda of the general meeting. The content of such resolutions mentioned shall (1) fall within the business scope of the Company and the functions and powers of the shareholders' general meeting without violating any laws and regulations; (2) contain definite subjects for discussion and specific matters to be resolved; and (3) be delivered or served on the Board in writing 10 days prior to the date of the shareholders' general meeting.

Shareholders may send written enquiries or proposals to the Company's principal place of business in Hong Kong at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

9. ARTICLES OF ASSOCIATION

During the Reporting Period, there had been no change to the Articles of Association.

10. COMPANY SECRETARY

Ms. SONG Yuhong and Ms. MOK Ming Wai are the joint company secretaries of the Company. Ms. SONG Yuhong is the primary contact person at the Company. During the Reporting Period, the joint company secretaries of the Company had duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules, satisfying the requirement of 15 hours per year.

Report of the Board of Directors

Report of the Board of Directors

The Board of the Company hereby presents to shareholders the annual report and the audited financial statements for the year ended 31 December 2012.

PRINCIPAL BUSINESS

The Company is principally engaged in wind power generation. Details of subsidiaries and a jointly controlled entity of the Company are set out in Notes 17 and 18 to the Financial Statements.

SHARE ISSUE AND LISTING

The shares of the Company were listed on the main board of the Hong Kong Stock Exchange in June 2011, and the Company issued an aggregate of 2,646,898,000 H shares after partial exercise of over-allotment option with a nominal value of RMB1.00 each, at the price of HK$2.50 per share by way of an initial public offering (the "IPO"). In connection with the IPO, 264,688,800 domestic state-owned shares of RMB1.00 each were converted into H shares on a one-for-one basis and transferred to the National Council for Social Security Fund of the PRC. As of 31 December 2012, the total share number of the Company was 8,446,898,000 shares, including 5,535,311,200 domestic shares and 2,911,586,800 H shares.

SHARE CAPITAL

As of 31 December 2012, the Company has issued 8,446,898,000 shares with par value of RMB1.00 each. The total issued share capital of the Company was RMB8,446,898,000. The share capital of the Company during the year remained the same.

RESULTS

The audited results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 84 to page 85. The financial position of the Group as of 31 December 2012 is set out in the consolidated balance sheet on page 86 to page 87. The consolidated cash flow of Group for the year ended 31 December 2012 is set out in the consolidated cash flow statement on page 92 to page 93.

A discussion and analysis of the Group performance during the year and financial position as of the year end and the material factors underlying its results are set out in the Management's Discussion and Analysis on page 18 to page 32 of this annual report.

RESERVES

Details of the movements in reserves of the Company during the year are set out in Note 29(a) to the Financial Statements, among which, details of reserves available for distribution to the shareholders are set out in Note 29(e) to the Financial Statements.

Report of the Board of Directors

PROFIT DISTRIBUTION

The Board recommends the payment of a final dividend of RMB0.015 per ordinary share (tax inclusive) in cash.

In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing final dividends to them. Any H shares registered not under the name of an individual shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such shareholders. If holders of H shares intend to change its shareholder status, please enquire about the relevant procedures with your agents or trustees. The Company will strictly comply with the laws or the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H shares of the Company.

If the individual holders of the H shares who are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for dividend with China under the relevant tax agreement, the Company should withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. Should the individual holders of the H shares are residents of the countries which had an agreed tax rate of less than 10% with China under the relevant tax agreement. the Company shall withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. In that case, if the relevant individual holders of the H shares wish to reclaim the extra amount withheld due to the application of 10% tax rate, the Company can apply for the relevant agreed preferential tax treatment pursuant to the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties（Tentative）（Guo Shui Fa [2009] No.124)（《國家税務總局關於印發<非居民享受税收協議待遇管理辦法（試行）>的通知》（國税發[2009]124號））.The Company will assist with the tax refund after the approval of the competent tax authority. Should the individual holders of the H shares are residents of the countries which had an agreed tax rate of over 10% but less than 20% with China under the tax agreement, the Company shall withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreement. In the case that the individual holders of the H shares are residents of the countries which had an agreed tax rate of 20% with China, or which has not entered into any tax agreement with China, or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

Report of the Board of Directors

PROPERTY, PLANT AND EQUIPMENT

Please refer to Note 14 to the Financial Statements for details of properties, plants and equipment of the Group during the year.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company as of 31 December 2012 are set out in Note 24 to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PRE-EMPTIVE RIGHTS

According to the Articles of Association and PRC laws, there are no provisions for pre-emptive rights requiring the Company to offer new shares to existing shareholders of the Company in proportion to their shareholdings.

Report of the Board of Directors

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth certain information concerning the Directors, supervisors and senior management of the Company as of the date of this annual report.

Name	Position in the Company	Date of Appointment
CAO Peixi	Chairman of the Board, Non-executive Director	4 August 2010
ZHANG Tingke	Vice Chairman of the Board, Non-executive Director	1 November 2011
ZHAO Keyu	Non-executive Director	4 August 2010
LIN Gang(1) (3)	Executive Director, President	23 February 2012
NIU Dongchun(3)	Executive Director, Vice President	4 August 2010
YANG Qing	Executive Director, Vice President and Chief Financial Officer	4 August 2010
HE Yan	Executive Director, Vice President	4 August 2010
QIN Haiyan	Independent Non-executive Director	6 August 2010
DAI Huizhu	Independent Non-executive Director	6 August 2010
ZHOU Shaopeng	Independent Non-executive Director	6 August 2010
WAN Kam To	Independent Non-executive Director	6 August 2010
HUANG Jian	Chief Supervisor	1 November 2011
WANG Huanliang	Supervisor	4 August 2010
YU Zewei(2)	Supervisor	27 July 2012
YU Chunping	Vice President	19 December 2012
HE Ji	Vice President	19 December 2012
DING Kun	Vice President	29 April 2011
HU Ying	Vice President	29 April 2011
YAN Shusen	Vice President	23 August 2011
SONG Yuhong	Secretary to the Board of Directors, Joint Company Secretary	4 August 2010

Notes:

(1) Mr. ZHAO Shiming resigned as an Executive Director, chairman of the nomination committee under the Board and President of the Company on 23 February 2012. On the same day, Mr. LIN Gang was appointed by the Board as a substitute Executive Director and the President of the Company. On 26 June 2012, Mr. LIN Gang was appointed as an Executive Director of the Company at the annual general meeting. For details, please refer to the Company's announcements dated 23 February 2012 and 26 June 2012.

(2) Mr. YU Zewei was appointed as a supervisor representing the employees of the Company on 27 July 2012. Mr. LIANG Zongxin was appointed as a supervisor representing the employees of the Company on 4 August 2010 and resigned on 27 July 2012 due to work demand. For details, please refer to the Company's announcement dated 27 July 2012.

(3) Mr. NIU Dongchun resigned as an Executive Director and a member of the remuneration committee under the Board of the Company on 19 March 2013. On the same day, Mr. LIN Gang was appointed by the Board as a member of the remuneration committee under the Board of the Company. For details, please refer to the Company's announcement dated 19 March 2013.

Report of the Board of Directors

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, supervisors and senior management are set out on page 72 to page 81 of this annual report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and supervisors has entered into service contracts with the Company. None of the Directors or supervisors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of the remuneration of the Company's Directors and supervisors are set out in Note 9 to the Financial Statements.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

During the financial year ended 31 December 2012, there was no contract of significance to the Company's business in which the Company or its subsidiaries was a party, and in which a Director or supervisor had a material interest, either directly or indirectly, subsisted during the financial year ended 31 December 2012.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year of 2012, save as disclosed below, none of the Directors and their associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Company:

Name	Position in the Company	Other Interests
CAO Peixi	Chairman of the Board, Non-executive Director	President of Huaneng Group, Chairman of Huaneng International Power Development Corporation ("HIPDC"), Chairman and an executive director of Huaneng Power International, Inc. ("HPI")
ZHANG Tingke	Vice Chairman of the Board, Non-executive Director	Vice President of Huaneng Group, Chairman of Huaneng Shandong Shidao Bay Nuclear Power Co., Ltd.
ZHAO Keyu	Non-executive Director	Chief of the Planning Department of Huaneng Group

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2012, none of the Directors, supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong (the "SFO")) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which have to be recorded in the register under Section 352 of the SFO, referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2012, to the best knowledge of the Directors, the following persons (other than the Directors, chief executive or supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed by the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Class of Shares	Capacity/Nature of interests	Number of shares held *(shares)*	Approximate Percentage in the relevant class of shares *(%)*[6]	Approximate Percentage in the total share capital *(%)*[7]
Substantial shareholder					
Huaneng Group[1]	Domestic Shares	Beneficial owner/Interest of controlled corporation	5,535,311,200 (Long position)	100%	65.53%
Other persons					
National Council for Social Security Fund (全國社會保障基金理事會)[2]	H shares	Beneficial owner	264,688,000 (Long position)	9.09%	3.13%
China Life Insurance (Group) Company (中國人壽保險(集團)公司)	H shares	Beneficial owner	25,128,000 (Long position)	0.86%	0.30%
	H shares	Interests of controlled corporation	140,472,000 (Long position)	4.82%	1.66%
Best Investment Corporation[3]	H shares	Beneficial owner	204,364,000 (Long position)	7.02%	2.42%
China Investment Corporation[3] (中國投資有限責任公司)	H shares	Interests of controlled corporation	204,364,000 (Long position)	7.02%	2.42%
SCMB Overseas Limited[4]	H shares	Interests of controlled corporation	174,708,000 (Long position)	6.00%	2.07%
Standard Chartered Asia Limited[4]	H shares	Interests of controlled corporation	174,708,000 (Long position)	6.00%	2.07%

Name of shareholder	Class of Shares	Capacity/Nature of interests	Number of shares held (*shares*)	Approximate Percentage in the relevant class of shares (*%*)[6]	Approximate Percentage in the total share capital (*%*)[7]
Standard Chartered Bank[4]	H shares	Interests of controlled corporation	174,708,000 (Long position)	6.00%	2.07%
Standard Chartered Holdings (International) B.V.[4]	H shares	Interests of controlled corporation	174,708,000 (Long position)	6.00%	2.07%
Standard Chartered Holdings Limited[4]	H shares	Interests of controlled corporation	174,708,000 (Long position)	6.00%	2.07%
Standard Chartered MB Holdings B.V.[4]	H shares	Interests of controlled corporation	174,708,000 (Long position)	6.00%	2.07%
Standard Chartered PLC[4]	H shares	Interests of controlled corporation	174,708,000 (Long position)	6.00%	2.07%
Standard Chartered Private Equity (Mauritius) III Limited[4]	H shares	Beneficial owner	174,708,000 (Long position)	6.00%	2.07%
Standard Chartered Private Equity Limited[4]	H shares	Interests of controlled corporation	174,708,000 (Long position)	6.00%	2.07%
Temasek Holdings (Private) Limited[5]	H shares	Interests of controlled corporation	155,542,000 (Long position)	5.34%	1.84%
CSR Corporation Limited (中國南車股份有限公司)	H shares	Interests of controlled corporation	155,542,000 (Long position)	5.34%	1.84%
CSR Group (中國南車集團公司)	H shares	Interests of controlled corporation	155,542,000 (Long position)	5.34%	1.84%
State Grid International Development Limited (國家電網國際發展有限公司)	H shares	Beneficial owner	155,542,000 (Long position)	5.34%	1.84%
Government of Singapore Investment Corporation Pte Ltd	H shares	Investment Manager	175,626,000 (Long position)	6.03%	2.08%

Notes:

(1) Huaneng Group is beneficially interested in 5,258,545,640 domestic shares, representing approximately 62.25% of the total share capital of the Company. Huaneng Capital Services Corporation Ltd. ("Huaneng Capital") is interested in 276,765,560 domestic shares, representing approximately 3.28% of the total share capital of the Company. Since Huaneng Capital is a wholly-owned subsidiary of Huaneng Group, Huaneng Group is therefore deemed to be interested in the domestic shares held by Huaneng Capital.

(2) National Council for Social Security Fund holds 248,570,000 H shares according to the disclosure on the website of the Hong Kong Stock Exchange.

(3) China Investment Corporation holds 204,364,000 H shares through its wholly-owned subsidiary's Best Investment Corporation. Best Investment Corporation holds 193,184,000 H shares according to the disclosure on the website of the Hong Kong Stock Exchange.

(4) Standard Chartered PLC holds 174,708,000 H shares through its wholly-owned subsidiaries, namely, SCMB Overseas Limited, Standard Chartered Asia Limited, Standard Chartered Bank, Standard Chartered Holdings (International) B.V., Standard Chartered Holdings Limited, Standard Chartered MB Holdings B.V., Standard Chartered Private Equity (Mauritius) III Limited and Standard Chartered Private Equity Limited. The above wholly-owned subsidiaries hold 155,542,000 H shares according to the disclosure on the website of the Hong Kong Stock Exchange.

(5) Temasek Holdings (Private) Limited holds 155,542,000 H shares through its wholly-owned subsidiaries, namely, Temasek Capital (Private) Limited, Seletar Investments Pte Ltd, Dunearn Investments (Mauritius) Pte Ltd and Sennett Investments (Mauritius) Pte Ltd.

(6) It is calculated on the basis that the Company has issued 5,535,311,200 domestic shares or 2,911,586,800 H shares as of 31 December 2012.

(7) It is calculated on the basis that the Company has issued 8,446,898,000 shares as of 31 December 2012.

MANAGEMENT CONTRACTS

The Company did not enter into any contract in respect of the management or administration of the entire or any significant part of the business of the Company nor did any such contract subsist at any time during 2012.

SUBSEQUENT EVENTS

On 21 February 2013, the Company, through its wholly-owned subsidiary, disposed of 108,050,000 shares in Guodian Technology & Environment Group Corporation Limited through a placing agent for aggregate gross sale proceeds of HK$275,527,500. For details, please refer to the announcement of the Company dated 22 February 2013.

On 19 March 2013, Mr. NIU Dongchun resigned as an Executive Director and a member of the Remuneration Committee under the Board. Mr. LIN Gang was appointed by the Board as a member of the Remuneration Committee with effect from 19 March 2013. For details, pleases refer to the announcement of the Company dated 19 March 2013.

Save as disclosed above, there was no material subsequent event after 31 December 2012.

CONNECTED TRANSACTIONS

Major connected transactions of the Company during 2012 are as follows:

1. NON-EXEMPT ONE-OFF CONNECTED TRANSACTION

The Company entered into the following non-exempt connected transaction under Rule 14A.31 of the Listing Rules in 2012. The purposes of the Company to enter into such connected transaction were to meet the operational needs of the Company and to get the most favourable terms and conditions from the market from the Company's perspective. The relevant information regarding the connected transaction was set out in the announcement of the Company dated 9 September 2011.

	Connected Transactions	Connected Person	Consideration *(RMB'000)*
1.	Provision of research services to the Company	China Huaneng R&D Center	9,900

(1) Provision of research services to the Company

The Company entered into a research and development agreement (the "**Research and Development Agreement**") with China Huaneng R&D Center ("**Huaneng R&D Center**") on 9 September 2011. Pursuant to the Research and Development Agreement, Huaneng R&D Center will, assist the Company to design and develop a complete monitoring and early warning system for wind turbines and provide relevant technical support, including, (i) providing technical seminars, specialized training and technical consulting services to the Company, (ii) completing applications of at least two patents and one software copyright (the patents and the software copyright developed by Huaneng R&D Center in connection with the Research and Development Agreement will be owned by the Company), and (iii) issuing a research report with respect to the monitoring and early warning system for wind turbines. The relevant research and development services provided by Huaneng R&D Center shall follow the specific technical criterion and research plan set forth under the Research and Development Agreement.

At the time the Company entered into the Research and Development Agreement (i.e. 9 September 2011), Huaneng Group held 65.53% equity interests in the Company, including 62.25% direct equity interests held by Huaneng Group and 3.28% equity interests held through Huaneng Capital, a wholly-owned subsidiary of Huaneng Group. Huaneng Group currently holds 100% equity interests in Huaneng R&D Center. As such, Huaneng R&D Center is a connected person of the Company and transaction of the Company with Huaneng R&D Center constitutes connected transaction of the Company under Chapter 14 of the Listing Rules.

The Company will pay research and development fees to Huaneng R&D Center in the total amountof RMB9.9 million in the form of three installments of RMB3.2 million, RMB3.3 million and RMB3.4 million, for the three years ending 31 December 2011, 2012 and 2013, respectively. The Research and Development Agreement will expire on 31 December 2013. For the year ended 31 December 2012, the Company paid Huaneng R&D Center research and development fees in an amount of RMB3.30 million.

2. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Company has entered into certain non-exempt continuing connected transactions during 2012. The table below sets out the annual caps for 2012 and the actual transaction amounts of such connected transactions:

Connected Transactions	Connected Person	Annual Cap for 2012 *(RMB'000)*	Actual Transaction Amount for 2012 *(RMB'000)*
1. Property lease to the Company	Xinsheng Property Management Co., Ltd.; Huaneng Dali Hydro Power Co., Ltd.	14,000	13,886
2. Provision of CDM project management services by the Company	HIPDC Jilin Tongyu Wind Power Branch; HIPDC Jilin Baicheng Wind Power Branch; Huaneng Qidong Wind Power Co., Ltd. ("Qidong Wind Power"); Huaneng Power International, Inc.	2,200	1,274
3. Provision of insurance to the Company	Alltrust Insurance Company of China Limited ("Alltrust Insurance")	60,000	25,343
4. Provision of technical service to the Company	Xi'an Thermal Power Research Institute Co. Ltd. ("Xi'an Institute")	45,000	23,290
5. Provision of deposit services to the Company	China Huaneng Finance Corporation Limited	2,000,000	1,885,670[1]

In respect of the first and second non-exempt continuing connected transactions as set out above, at the time of the listing of the Company's H shares, the Hong Kong Stock Exchange approved the annual caps of those continuing connected transactions and granted a waiver to the Company from strict compliance with independent shareholders' approval requirement, but the transactions are subject to reporting, annual review and announcement requirement under the Listing Rules. In respect of the third non-exempt continuing connected transaction as set out above, at the time of the listing of the Company's H shares on 10 June 2011, the Hong Kong Stock Exchange approved the annual caps of such continuing connected transaction, and such transaction is subject to reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. For the first non-exempt continuing connected transaction as set out above, adjustments have been made to the annual caps for years 2011, 2012 and 2013.

Note:

(1) The actual transaction amount represents the highest daily deposit balance.

(1) **Property lease to the Company**

The Company entered into a framework property lease agreement on 13 September 2010 with Huaneng Group, as amended by a supplemental agreement dated 29 April 2011 (collectively referred to as the "**Framework Property Lease Agreement**"), for a term of three years commencing on its listing date (i.e. 10 June 2011) for the leasing of office premises. The Framework Property Lease Agreement is subject to renewal provided that it is in compliance with the relevant provisions on connected transactions under the Listing Rules. On 9 September 2011, the Company entered into a supplement agreement with Huaneng Group, pursuant to which the annual caps of the aggregate rental expenses will be revised to RMB12.0 million, RMB14.0 million and RMB17.0 million for the years ending 31 December 2011, 2012 and 2013, respectively.

The principal terms of the supplement agreement to the Framework Property Lease Agreement are as follows:

- The annual caps of the aggregate rental expenses paid by the Company will be revised to RMB12.0 million, RMB14.0 million and RMB17.0 million for the years ending 31 December 2011, 2012 and 2013, respectively.

- The Framework Property Lease Agreement will expire on 31 December 2013 and is renewable provided that it is in compliance with the relevant requirements under the Listing Rules and is agreed by the relevant parties.

At the time the Company entered into supplemental agreement (i.e. 9 September 2011), Huaneng Group held 65.53% equity interests in the Company, including 62.25% direct equity interests held by Huaneng Group and 3.28% equity interests held through Huaneng Capital, a wholly owned subsidiary of Huaneng Group. As such, Huaneng Group is a connected person of the Company and transaction of the Company with Huaneng Group constitutes continuing connected transaction of the Company under the Listing Rules. Relevant information regarding such continuing connected transaction was set out in "Connected Transactions" section of the Company's prospectus dated 30 May 2011 and the announcement of the Company dated 9 September 2011.

The annual cap of this continuing connected transaction for 2012 was RMB14.0 million and the actual transaction amount was RMB13.886 million, which was within the annual cap as set out in the Company's announcement dated 9 September 2011.

(2) Provision of CDM project management services by the Company

During the years ended 31 December 2008, 2009 and 2010, the Company entered into CDM services agreements (collectively referred to as the "**CDM Services Agreements**") with HIPDC's branches, Qidong Wind Power and HPI, respectively. These agreements expired on 31 December 2012. Pursuant to the CDM Services Agreements, the Company will provide various management services to the Jilin Wind Farms, Qidong Wind Farm and Gansu Wind Farms (collectively, the "Managed CDM Projects"), including but not limited to, the registration of the Managed CDM Projects as CDM projects. The annual caps of the aggregate services fees received from HIPDC's branches, Qidong Wind Power and HPI were approximately RMB2.2 million and RMB2.2 million for the years ended 31 December 2011 and 2012.

Jilin Tongyu and Jilin Baicheng are wholly-owned by HIPDC, which is controlled by Huaneng Group; as such, Jilin Tongyu and Jilin Baicheng are connected persons of the Company under the Listing Rules. Qidong Wind Power is 65% owned by HPI, which is controlled by Huaneng Group; as such, Qidong Wind Power and HPI are connected persons of the Company and such transactions of the Company constitute continuing connected transactions of the Company under the Listing Rules. Relevant information regarding such continuing connected transaction was set out in "Connected Transactions" section of the Company's prospectus dated 30 May 2011.

The annual cap of this continuing connected transaction for 2012 was RMB2.2 million and the actual transaction amount was RMB1.274 million, which was within the approved cap stated in the Company's prospectus dated 30 May 2011.

(3) Provision of insurance to the Company

The Company entered into a framework insurance agreement with Alltrust Insurance Beijing Branch on 6 August 2010, as amended by a supplement agreement dated 29 April 2011 (collectively referred to as the "**Framework Insurance Agreement**") for the purchase of various insurance products, for a term of three years, subject to renewal provided that it is in compliance with the relevant provisions on connected transactions under applicable rules and regulations. Under the Framework Insurance Agreement, the subsidiaries of the Company will enter into separate insurance agreements with Alltrust Insurance Beijing Branch according to the principal terms. The annual caps of the aggregate insurance premium paid to Alltrust Insurance would be approximately RMB40.0 million, RMB60.0 million and RMB80.0 million for the years ending 31 December 2011, 2012 and 2013.

Alltrust Insurance is a subsidiary of Huaneng Group. As such, Alltrust Insurance is a connected person of the Company and transaction of the Company with Alltrust Insurance constitutes continuing connected transaction of the Company under the Listing Rules. Relevant information regarding such continuing connected transaction was set out in "Connected Transactions" section of the Company's prospectus dated 30 May 2011.

The annual cap of this continuing connected transaction for 2012 was RMB60.0 million and the actual transaction amount was RMB25.343 million, which was within the approved cap set out in the Company's prospectus dated 30 May 2011.

(4) Provision of technical service to the Company

The Company entered into a Framework Technical Service Agreement with Xi'an Institute on 9 September 2011, pursuant to which Xi'an Institute would provide technical services to the wind power projects operated by the Company, including, among others, production monitoring, testing and examination of the Company's wind power equipment and issuing relevant technical reports. The annual caps for the aggregate service fees payable to Xi'an Institute by the Company would be approximately RMB40.0 million, RMB45.0 million and RMB50.0 million for the years ended or ending 31 December 2011, 2012 and 2013.

The principal terms of the Framework Technical Service Agreement are as follows:

- Xi'an Institute agrees to provide technical services, including, among others, production monitoring, testing and examination of the Company's newly set-up wind power equipment and issuing relevant technical reports to the Company.

- Relevant subsidiaries of the Company will enter into separate agreements with Xi'an Institute which shall set out the specific scope of services and terms and conditions of providing such services according to the principles laid down by the Framework Technical Service Agreement.

- The Company will, and will procure its subsidiaries to, pay service fees to Xi'an Institute with respect to the technical services it provides.

- The Framework Technical Service Agreement will expire on 31 December 2013 and is renewable subject to agreement of the parties. Each party may terminate the agreement upon giving the other party three months' written notice.

At the time the Company entered into the Framework Technical Service Agreement (i.e. 9 September 2011), Huaneng Group held 65.53% equity interests in the Company, including 62.25% direct equity interests held by Huaneng Group and 3.28% equity interests held through Huaneng Capital, a wholly-owned subsidiary of Huaneng Group. Huaneng Group currently holds 52.00% equity interests in Xi'an Institute. As such, Xi'an Institute is a connected person of the Company and transaction of the Company with Xi'an institute constitutes continuing connected transaction of the Company under the Listing Rules. The relevant information regarding such continuing connected transaction was set out in the announcement of the Company dated 9 September 2011.

The annual cap of this continuing connected transaction for 2012 was RMB45.0 million and the actual transaction amount was RMB23.290 million, which was within the approved cap set out in the Company's announcement dated 9 September 2011.

(5) Provision of deposit services to the Company

The Company entered into the Huaneng Finance Framework Agreement with Huaneng Finance on 19 March 2012, pursuant to which Huaneng Finance would provide deposit services to the Company. The annual caps for the outstanding balances of the deposits to be placed with Huaneng by the Company would be approximately RMB600 million, RMB2 billion and RMB2 billion for the years ended or ending on 31 December 2011, 2012 and 2013.

The principal terms of the Huaneng Finance Framework Agreement are as follows:

- Huaneng Finance agrees to provide deposit services and loan advancement to the Company.
- The Company will enter into separate agreements with Huaneng Finance which shall set out specific scope of services and terms and conditions of providing such services according to the principles laid down in the Huaneng Finance Framework Agreement.
- The Huaneng Finance Framework Agreement was signed on 19 March 2012 for a term of three years with retrospective effect from 5 December 2011 and expiring on 31 December 2013.
- Either party may terminate the agreement upon giving the other party three months' written notice.

At the time the Company entered into the Huaneng Finance Framework agreement (i.e. 19 March 2012), Huaneng Group held 65.53% equity interests in the Company, including 62.25% equity interests directly held by Huaneng Group and 3.28% equity interests held through Huaneng Capital, a wholly-owned subsidiary of Huaneng Group. Huaneng Group currently holds 51.00% equity interests in Huaneng Finance. As such, Huaneng Finance is a connected person of the Company. The transactions under the Huaneng Finance Framework Agreement will be conducted on an on-going basis and therefore will constitute continuing connected transactions under the Listing Rules. Relevant information regarding such continuing connected transactions was set out in the announcement of the Company dated 19 March 2012 and the circular of the Company dated 11 May 2012.

The annual cap of this continuing connected transaction for 2012 was RMB2,000 million and the highest daily deposit balance for 2012 was RMB1,885.67 million, which was within the annual up set out in the Company's circular dated 11 May 2012.

The Independent Non-executive Directors of the Company have reviewed each of the abovementioned continuing connected transactions and confirmed that such transactions have been conducted on the following basis:

(1) in the ordinary and usual course of business of the Company and its subsidiaries;

(2) on normal commercial terms or, if there are no sufficient comparable transactions to determine whether they are on normal commercial terms, from the perspective of the Company, on terms no less favorable than the terms available to or from independent third parties; and

(3) in accordance with relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged KPMG, its external auditor, to report on the Company's above-mentioned continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions set out above in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor letter has been provided by the Company to the Hong Kong Stock Exchange.

The related party transactions in 2012 that fall under the definition of "continuing connected transaction" in Chapter 14A of the Listing Rules were disclosed in Note 33(a) to the financial statements prepared in accordance with IFRSs. The Company has complied with the disclosure agreements in accordance with Chapter 14A of the Listing Rules.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

The Company entered into the Non-Competition Agreement with Huaneng Group on 6 August 2010, as amended by a supplemental agreement dated 23 November 2010, under which Huaneng Group agreed not to compete with us in our core businesses and granted us the Option for New Business Opportunities, the Option for Acquisitions and the Pre-Emptive Rights. Pursuant to the agreement, the Independent Non-executive Directors of the Company are responsible for reviewing and considering whether or not to take up a new business opportunity referred to by Huaneng Group or exercise pre-emptive rights, and such decision will be made by the Independent Non-executive Directors. Also, the Independent Non-executive Directors will perform a periodic review on the Retained Business (as defined in the Company's prospectus dated 30 May 2011) by Huaneng Group's unlisted subsidiaries and make recommendations to the Board as to whether to exercise the option to acquire any of the Retained Business by Huaneng Group's unlisted subsidiaries.

During the year, the Independent Non-executive Directors of the Company have reviewed the implementation of the Non-Competition Agreement and have confirmed that Huaneng Group had been in full compliance with the agreement and there was no breach by Huaneng Group.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2012, purchase from the Group's five largest suppliers as defined under the Listing Rules in aggregate contributed less than 30% of the Group's total purchase of goods and services for the year.

For the year ended 31 December 2012, sales to the Group five largest customers in aggregate contributed 75.2% of the Group total sales for the year, among which, sales to the largest customer contributed 23.8% of the Group total sales for the year.

During the year, so far as the Directors are aware, none of the Directors, associates of Directors and any shareholders of the Company (who to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Company's five largest suppliers or five largest customers during the year.

REMUNERATION POLICIES

Remuneration of employees of the Company will be determined based on the complexity involved with the positions and the responsibilities to be performed by the employees, as well as with reference to work performance. The remuneration of Directors, supervisors and senior management of the Company includes the following components:

(1) Basic salary and allowance (excluding the service fee of independent Directors)

Basic salary will be determined based on evaluation and factor analysis of a particular position with reference to relevant salaries in the market. The Company and its subsidiaries contribute housing fund and other social insurance for its employees in accordance with relevant regulations. All these account for approximately 65% of the total remuneration.

(2) Discretionary bonus

Discretionary bonus will be determined based on the performance of Directors, supervisors and senior management, which accounts for approximately 21% of the total remuneration.

(3) Pension contribution

All Directors, supervisors and senior management are entitled to the pension plan maintained by the Company, including basic pension insurance and enterprise annuity. Pension contribution accounts for approximately 7% of the total remuneration.

(4) Directors' fee

The Company will pay an annual service fee of RMB0.14 million (before tax) to each independent Director, and will reimburse reasonable expenses (including travel and office expenses) incurred by independent Directors in connection with their attendance of Board meetings, shareholders' meeting and performance of their responsibilities in accordance with the Company Law and Articles of Association. The Company provides no other benefit to the independent Directors.

During the Reporting Period, the Company's senior management positions included President, Vice-President and secretary to the Board, and their remunerations ranged from approximately RMB0.22 million to RMB0.90 million (before tax).[1]

Report of the Board of Directors

RETIREMENT AND EMPLOYEES BENEFIT SCHEME

Details of the Company's retirement and employees benefit scheme are set out in Note 7(a) to the Financial Statements.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND THE CORPORATE GOVERNANCE CODE

The Stock Exchange of Hong Kong Limited has made various amendments to the Code on Corporate Governance Practices (the "Former Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and the revised code, namely Corporate Governance Code (the "Revised Code"), became effective on 1 April 2012. The Company has complied with all the applicable code provisions of the Former Code from 1 January 2012 to 31 March 2012. The Company has also complied with all the code provisions of the Revised Code from 1 April 2012 to 31 December 2012 except for the following deviations. Mr. CAO Peixi (Non-executive Director, Chairman of the Board and chairman of the nomination committee), Mr. QIN Haiyan (Independent Non-executive Director, chairman of the remuneration committee and member of the nomination committee) and Mr. ZHOU Shaopeng (Independent Non-executive Director, chairman of the audit committee and member of the nomination committee) did not attend the annual general meeting of the Company held on 26 June 2012 due to work commitment. This constitutes deviations from code provisions A.6.7 and E.1.2 of the Revised Code regarding requirements on attendance of general meetings and other relevant matters. For details, please refer to the Corporate Governance Report as set out on page 36 to page 49 of this annual report.

PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, not less than 25% of the issued share capital of the Company was held by the public as at 19 March 2013, being the latest practicable date prior to the issue of this annual report for asserting certain information contained herein, which was in compliance with the requirements under the Listing Rules.

MATERIAL LITIGATION

As of 31 December 2012, the Company was not involved in any material litigation or arbitration. As far as the Directors are aware, no such litigation or claims are pending or threatened against the Company.

Note:

(1) President LIN Gang has served the Company since February 2012;
During the Reporting Period, Vice President NIU Dongchun served the Company from January 2012 to November 2012;
Vice President YU Chunping and Vice President HE Ji have served the Company since September 2012.

Report of the Board of Directors

AUDIT COMMITTEE

The 2012 annual results of the Company and the Financial Statements for the year ended 31 December 2012 prepared in accordance with the International Financial Reporting Standards have been reviewed by the audit committee of the Company.

AUDITORS

KPMG and KPMG Huazhen (converted to KPMG Huazhen (SGP)) were engaged as the international and domestic auditors of the Company respectively for the year ended 31 December 2012. KPMG has audited the accompanying financial statements, which were prepared in accordance with International Financial Reporting Standards. The Company has retained KPMG and KPMG Huazhen since the date of its listing. A resolution for the reappointment of KPMG and KPMG Huazhen (SGP) as the international and domestic auditors of the Company for the year ending 31 December 2013 will be proposed at the forthcoming annual general meeting of the Company.

CHANGE OF DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Directors' information since the date of the 2012 interim report of the Company are set out as follows:

Mr. WAN Kam To, aged 60, is an Independent Non-executive Director of the Board of the Company, and an independent director of Mindray Medical International Limited (New York Stock Exchange: MR) and RDA Microelectronics, Inc. (NASDAQ: RDA). In addition, he serves as an independent non-executive director at China Resources Land Limited (Hong Kong Stock Exchange: 1109), Dalian Port (PDA) Company Limited (Hong Kong Stock Exchange: 2880, Shanghai Stock Exchange: 601880), Fairwood Holdings Limited (Hong Kong Stock Exchange: 0052), Greater China Professional Services Limited (Hong Kong Stock Exchange: 8193) and KFM Kingdom Holdings Limited (Hong Kong Stock Exchange: 3816), and a fellow of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Wan was appointed as an Independent Non-executive Director of the Company in August 2010. Mr. Wan has served as a partner of PricewaterhouseCoopers and an independent non-executive director of Real Gold Mining Limited (Hong Kong Stock Exchange: 0246). He graduated from Hong Kong Polytechnic University (previously known as Hong Kong Polytechnic) with a Higher Diploma in accountancy.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2012 annual general meeting is proposed to be held before the end of June 2013. Details of the resolutions to be considered and approved at the meeting, the book closure period of the Company's H Share register and the date of the annual general meeting will be set out in the notice of 2012 annual general meeting to be issued by the Company in due course.

By order of the Board
Huaneng Renewables Corporation Limited
Chairman of the Board
CAO Peixi

Beijing, the PRC, 19 March 2013

Report of the Board of Supervisors

The board of supervisors of the Company currently consists of three members, and at least one member must be employee representative supervisor elected by employees. Except for the employee representative supervisor, other supervisors are elected by shareholders at the general meeting. All supervisors shall have a term of three years, which is renewable upon re-election and re-appointment. The major duties of the board of supervisors include, but are not limited to monitoring the financial activities of the Company; supervising the conduct of Directors and senior management officers in carrying out their duties and proposing to remove Director or senior management officer who has violated applicable laws, regulations, Articles of Association or shareholders resolutions; demanding Directors, President and other senior management officers to rectify any action that is prejudicial to the interest of the Company; reviewing and verifying financial reports, operation reports and profit distribution proposals prepared by the Board, and in case of doubt, appointing certified public accountants and practicing auditors to re-examine the financial information of the Company; bringing actions on behalf of the Company against Directors or senior management officers; and exercising other powers and performing other functions and duties conferred by the Articles of Association.

In 2012, all members of the board of supervisors strictly complied with relevant laws and regulations and the Articles of Association and earnestly performed their duties to protect the interest of the shareholders and the benefit of the Company. The relevant implementation procedures were in compliance with relevant laws and regulations and the Articles of Association. Set out below is a summary of the major tasks performed by the board of supervisors in the reporting period.

MEETINGS CONVENED BY THE BOARD OF SUPERVISORS

In accordance with applicable laws and regulations, the Articles of Association of the Company and the practical needs of the Company's development, the board of the supervisors convened two meetings and completed the following tasks in 2012:

1. The fourth meeting of the first session of the board of supervisors was held on 19 March 2012 to review and approve the work report of the board of supervisors of the Company for 2011, and the Company's annual results announcement for 2011 and 2011 annual report.

2. The fifth meeting of the first session of the board of supervisors was held on 20 August 2012 to review and approve matters regarding preparation of the Company's 2012 interim results announcement and 2012 interim report.

WORK OF THE BOARD OF SUPERVISORS

In 2012, the board of supervisors mainly carried out the following tasks:

Report of the Board of Supervisors

MONITORING COMPANY'S OPERATION

During the Reporting Period, members of the board of supervisors participated in discussions of major operating decisions through attending Board meetings and general meetings of shareholders held by the Company, reviewed proposals submitted to the Board for consideration and monitored the operation of the Company. The board of supervisors is of the opinion that the business activities of the Company complied with relevant laws and regulations and the Articles of Association. Meanwhile, the Directors and senior management of the Company have diligently performed their duties and earnestly implemented the resolutions of the general meetings of the shareholders to safeguard the interests of the shareholders and the benefit of the Company. In the course of examining the operation of the Company and supervising the performance of duties of the Directors and senior management, the board of supervisors has not found any of their behaviors that contravened any applicable laws or the Articles of Association or any issues that has caused damage to the interests of the shareholders and the Company.

EXAMINING THE COMPANY'S FINANCIAL CONDITION

During the Reporting Period, the board of supervisors carefully examined and reviewed the relevant financial information and the auditors' reports of the Company. The board of supervisors is of the opinion that the preparation of the Company's financial statements complies with the International Financial Reporting Standards and is not aware of any irregularities. Having duly reviewed the 2012 annual financial report and relevant information to be submitted by the Board to the general meeting of shareholders, and as audited by the independent auditors with an unqualified opinion, the board of supervisors is of the opinion that the annual report reflects the financial condition and operating results of the Company on a consistent basis and in an accurate, true and fair manner.

MONITORING THE COMPANY'S INFORMATION DISCLOSURE

During the Reporting Period, the board of supervisors reviewed the information disclosure system and all relevant documents that the Company has publicly published and is of the opinion that the Company has disclosed the relevant information in a timely, true, accurate and complete manner in accordance with the requirements of the Hong Kong Stock Exchange and no false information was found.

Chief Supervisor
HUANG Jian

Beijing, the PRC, 19 March 2013

Biographies of Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. CAO Peixi (曹培璽), aged 57, is the Chairman of the Board of the Company, the President of Huaneng Group, the Chairman of HIPDC, and the Chairman of HPI. Mr. Cao was appointed as a Non-executive Director of the Company in August 2010. Mr. Cao has successively served as deputy general manager and general manager of Shandong Qingdao Power Plant (山東青島發電廠), assistant head of Shandong Power Bureau (山東電力局), deputy head (Vice President) of Shandong Power Industry Bureau (Company) (山東電力工業局（公司）), Chairman and President of Shandong Power Group Corporation (山東電力集團公司), Vice President and President of China Huadian Corporation(中國華電集團公司) and Chairman of Huadian Power International Corporation Limited (華電國際電力股份有限公司). Mr. Cao graduated from Shandong University, majoring in electrical engineering. He also graduated from Party School of the Central Committee of C.P.C. with a master's degree in engineering. Mr. Cao is a senior engineer.

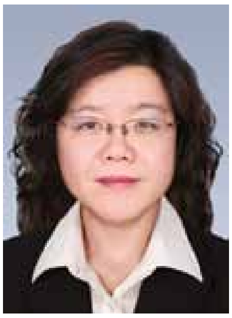
Mr. ZHANG Tingke (張廷克), aged 56, is the Vice Chairman of the Board of the Company, a Vice President of Huaneng Group, and Chairman of the board of directors of Shandong Shidao Bay Nuclear Power Co., Ltd. (山東石島灣核電有限公司). Mr. Zhang was appointed as a Non-executive Director of the Company in August 2010. Mr. Zhang has served successively as deputy chief of the Planning Department, deputy head (Vice President) of Henan Power Bureau (河南省電業局), head of Preparation Office of Yuzhou Power Plant (禹州電廠), Chairman of Huaneng International Trade-Economics Co., Ltd. (華能國際經濟貿易有限責任公司), Vice President of HIPDC, Chairman of Huaneng IT Industry Holding Co., Ltd. (華能信息產業控股有限公司), Chairman of Sichuan Huaneng Hydropower Development Co., Ltd. (四川華能水電開發有限責任公司), and Chairman of HuanengLancang River Hydropower Co., Ltd. (華能瀾滄江水電有限責任公司). Mr. Zhang graduated from Tsinghua University majoring in power system and automation. He also graduated from China Europe International Business School with an MBA degree. Mr. Zhang is a senior engineer.

Mr. ZHAO Keyu (趙克宇), aged 47, is a Non-executive Director of the Board of the Company and chief of Planning Department of Huaneng Group. Mr. Zhao was appointed as a Non-executive Director of the Company in August 2010. Mr. Zhao has served successively as technician in Weifang Power Plant (濰坊電廠), secretary to the Youth League Committee, secretary to the Communist Party Branch and deputy chief engineer of Shandong Fangzi Power Plant (山東坊子電廠), deputy secretary to the Youth League Committee of Shandong Power Bureau (山東省電力工業局), deputy secretary and secretary to the Communist Party Committee of ULTRA-HV Transmission & Distribution Branch Company of Shandong Power Group Corporation (山東電力集團公司超高壓輸變電分公司), human resource manager of Shandong Luneng Group Co., Ltd. (山東魯能集團公司), President and Chairman of Beijing Deyuan Investment Co., Ltd. (北京德源投資有限公司), secretary to the Communist Party Committee of Shandong Luneng Development Group Co., Ltd. (山東魯能發展集團公司), and Vice President of Huaneng Shandong Power Generation Co., Ltd. (華能山東發電有限公司). Mr. Zhao graduated from Shandong University of Technology with a bachelor's degree in engineering. He also graduated from Wuhan University with a master's degree in software engineering. Mr. Zhao is a senior political work specialist.

EXECUTIVE DIRECTORS

Mr. LIN Gang (林剛), aged 48, is an Executive Director of the Board and the President of the Company. Mr. Lin joined the Company in February 2012 and was appointed as an Executive Director of the Company. Mr. Lin has served successively as deputy chief of Engineering Division of Engineering Department of HPI, assistant to general manager and deputy general manager of Huaneng Beijing Branch (Thermal Power Plant) (華能北京分公司(熱電廠)), deputy manager of General Planning Department, deputy manager (in charge of the department) of Marketing and Sales Department of HPI, President of Huaneng Northeast Branch (華能東北電力分公司) and concurrently director of Heilongjiang Office, manager of Marketing and Sales Department of HPI, assistant to President of HPI, and Vice President of HPI. Mr. Lin graduated from North China Electric Power University, specializing in thermal power, and holds a master degree in science. He also graduated from Peking University with an EMBA degree. Mr. Lin is a senior engineer.

Mr. NIU Dongchun (牛棟春), aged 60, was an Executive Director of the Company in August 2010. Mr. Niu joined the Company in October 2007, and resigned as an Executive Director of the Company on 19 March 2013. He has served successively as deputy workshop head of Beijing Special Iron Plant (北京特殊鋼廠), chief staff member of Heavy Industry Bureau of State Economic and Trade Commission (國家經貿委重工業局), chief staff member of First Industry Department of State Planning Commission (國家計委工業一司), deputy chief and chief of the Steel and Iron Division, Raw Material Department of State Planning Commission (國家計委原材料司鋼鐵處), chief of Metallurgy and Building Materials Division, Economic Projection Department of State Planning Commission (國家計委經濟預測司冶金建材處), deputy head of Development and Reform Commission of Inner Mongolia Autonomous Region, director of Eastern Economic Revitalization Office of Inner Mongolia Autonomous Region (內蒙古自治區振興東部經濟工作辦公室), Vice President of HNEIC and Executive Director and Vice President of the Company. He graduated from Beijing Iron and Steel Institute. Mr. Niu is a senior engineer.



Ms. YANG Qing (楊青), aged 44, is an Executive Director of the Board, Vice President and Chief Financial Officer of the Company. Ms. Yang was appointed as an Executive Direcotr of the Company in August 2010. She joined the Company in May 2002. Ms. Yang has served successively as deputy chief of the Financial Department of Huaneng Group, chief of the First Financial Department of Huaneng Group, deputy chief accountant and manager of the Financial Department of Huaneng New Energy Environment Industrial Co., Ltd., deputy chief accountant of HNEIC, Vice President and chief accountant of HNEIC. Ms. Yang graduated from Central University of Finance & Economics with a bachelor's degree in economics. She also graduated from the School of Finance of Renmin University of China with a master's degree in economics. Ms. Yang is a senior accountant.

Mr. HE Yan (何焱), aged 48, is an Executive Director of the Board and Vice President of the Company. Mr. He was appointed as an Executive Director of the Company in August 2010. He joined the Company in May 2002. Mr. He has served successively as manager of First Business Department of Huaneng Construction Consultation Co., Ltd. (華能工程諮詢公司), deputy manager of Assets Operation Department of Huaneng Comprehensive Industrial Co., Ltd. (華能綜合產業公司), manager of New Energy Department and manager of Construction of Huaneng New Energy Environment Industrial Co., Ltd., Engineering Department of HNEIC, and Vice President of HNEIC. He graduated from Wuhan University with a master's degree in logistics. He also graduated from University of California with an MBA degree. Mr. He is a senior economist.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. QIN Haiyan (秦海岩), aged 42, is an Independent Non-executive Director of the Board of the Company, the director of China General Certification Center (北京鑒衡認證中心), and the secretary-general of the Wind Power Committee of China Renewable Energy Society (中國可再生能源學會風能專業委員會). He is also the standing director of China Renewable Energy Society, deputy head of the Climatic Resources Application Research Committee of China Meteorological Society (中國氣象學會氣候資源應用研究委員會), deputy secretary-general of the Renewable Energy Committee of China Association of Resources Comprehensive Utilization (中國資源綜合利用協會可再生能源專業委員會) and member of the Technical Committee of National Wind Power Machinery Standardization (全國風力機械標準化技術委員會). Mr. Qin was appointed as an Independent Non-executive Director of the Company in August 2010. Mr. Qin has led over 20 research projects in the area of renewable energies. For example, he was the person-in-charge for the "Analysis of the Development Potential of China's Offshore Wind Power", and the person-in-charge for the "Establishment of Certification for Wind Turbines", a project sponsored by the PRC government, World Bank and the Global Environment Facility. He graduated from Shanghai Jiao Tong University with a bachelor's degree in engineering. He also obtained a master's degree in MBA from Renmin University of China.

Biographies of Directors, Supervisors and Senior Management

Ms. DAI Huizhu (戴慧珠), aged 74, is an Independent Non-executive Director of the Board of the Company, and the senior consultant, professor and Supervisor of Doctorate Students of Renewable Energy Department of China Electric Power Research Institute (中國電力科學研究院新能源研究所). Ms. Dai was appointed as an Independent Non-executive Director of the Company in August 2010. Ms. Dai held various positions at Northeast Institute of Electric Power Engineering (東北電力學院), including assistant lecturer, lecturer, associate professor, professor, head of Research Section of Electrical Engineering Fundamentals and deputy head of Electric Power Research Institute. She also held various positions at China Electric Power Research Institute, including, among others, head of New Energy Power Generation Laboratory, head of Graduate Department and chief engineer of Rural Electrification Research Department. Ms. Dai has conducted in-depth studies in the renewable energy and directed many research projects. She was the person-in-charge and participated in the drafting of “Research Report on Electric Power System” as part of the Evaluation of Renewable Energies, a project sponsored by the PRC government, World Bank and Global Environment Facility. Ms. Dai has led many award-winning research projects in wind power area. Ms. Dai has also published a number of research papers within and outside China. Ms. Dai graduated from Tsinghua University majored in electrical engineering.

Mr. ZHOU Shaopeng (周紹朋), aged 66, is an Independent Non-executive Director of the Board of the Company, a professor and Supervisor of Doctorate Students at Chinese Academy of Governance (國家行政學院), Vice Chairman of Public Economic Research Association (公共經濟研究會), member of the Expert Committee of China Development Bank Corporation, council member of History and Chinese Enterprise Association of China Federation of Industrial Economics (中國工業經濟聯合會), part-time professor and Supervisor of Doctorate Students at Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) and Renmin University of China (中國人民大學), and also holds various positions in academic institutions and industrial associations and organizations in China. Mr. Zhou was appointed as an Independent Non-executive Director of the Company in August 2010. Mr. Zhou has served as assistant researcher, associate researcher, researcher, Supervisor of Doctorate Students and head of Enterprise Governance Research Department of Industrial Economics Institute of Chinese Academy of Social Sciences (中國社會科學院工業經濟研究所) and deputy county head of Hulunbuir of Inner Mongolia Autonomous Region. Mr. Zhou was the author or co-author of over 30 academic books and research reports. He has also published over 200 research papers. Mr. Zhou graduated from Beijing Mechanical Institute (北京機械學院) majored in Industrial Economics and graduated from Chinese Academy of Social Sciences with a master’s degree in economics. He also obtained a doctorate degree in economics from the Chinese Academy of Social Sciences.

Mr. WAN Kam To (尹錦滔), aged 60, is an Independent Non-executive Director of the Board of the Company, and an independent director of Mindray Medical International Limited (New York Stock Exchange: MR) and RDA Microelectronics, Inc. (NASDAQ: RDA). In addition, he serves as an independent non-executive director at China Resources Land Limited (Hong Kong Stock Exchange: 1109), Dalian Port (PDA) Company Limited (Hong Kong Stock Exchange: 2880, Shanghai Stock Exchange: 601880), Fairwood Holdings Limited (Hong Kong Stock Exchange: 0052), Greater China Professional Services Limited (Hong Kong Stock Exchange: 8193) and KFM Kingdom Holdings Limited (Hong Kong Stock Exchange: 3816), and a fellow of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Wan was appointed as an Independent Non-executive Director of the Company in August 2010. Mr. Wan has served as a partner of PricewaterhouseCoopers and an independent non-executive director of Real Gold Mining Limited (Hong Kong Stock Exchange: 0246). He graduated from Hong Kong Polytechnic University (previously known as Hong Kong Polytechnic) with a Higher Diploma in accountancy.

SUPERVISORS

Mr. HUANG Jian (黃堅), aged 50, is a supervisor of the Company , a Non-executive Director of HPI, the Assistant to President of Huaneng Group and concurrently the Executive Vice Chairman of Huaneng Capital Services Co., Ltd. (華能資本服務有限公司), Chairman of Huaneng Hainan Power Ltd. and the Chairman of Huaneng Carbon Assets Management Company. Mr. Huang was appointed as a supervisor of the Company in November 2011. Mr. Huang has served successively as deputy chief of Cost and Pricing Office of the Finance Department, chief of Pricing General Office of the Finance Department of HIPDC, chief accountant of Beijing Branch and deputy manager of the Finance Department of HIPDC. He also served as the deputy chief accountant, chief accountant, Vice President and secretary to the board of directors of HPI, and deputy chief economist and director of Budgeting and Comprehensive Planning Department of Huaneng Group. Mr. Huang graduated from the accounting department of Institute of Fiscal Science of the Ministry of Finance with a master degree in economics. He is a senior accountant.

Biographies of Directors, Supervisors and Senior Management

Mr. WANG Huanliang (王煥良), aged 54, is a supervisor of the Company and the head of Audit Department of Huaneng Group. Mr. Wang was appointed as a supervisor of the Company in August 2010. Mr. Wang has held various positions at Power Planning and Design Institute of Ministry of Water Resources and Electrical Power (水電部電力規劃設計院), including, among others, accountant, section chief and deputy chief of Finance Section. He also held various positions at Huaneng Group, including, among others, deputy manager of the Finance Department, deputy chief and chief of the Operation Finance Division of the Finance Department. He has served as Vice Chairman and President of BeihaiXinli Industrial Co., Ltd. (北海新力實業股份有限公司), head of Beihai Port Management Bureau (北海港務局), and Vice President and chief accountant of Huaneng Energy & Communications Holding Co., Ltd. (華能能源交通產業控股有限公司). Mr. Wang graduated from Correspondence School of Renmin University of China. He also graduated from Chinese Academy of Social Sciences with a master's degree in currency and banking. He is a senior accountant.

Mr. YU Zewei (于澤衛), aged 51, is a supervisor and head of Discipline Inspection Commission of the Company. Mr. Yu was appointed as a supervisor of the Company in July 2012. Mr. Yu has served successively as deputy manager of Basic Industries and Transportation Department of Huaneng Comprehensive Industrial Co., Ltd.(華能綜合產業公司), senior engineer of Planning Department of Huaneng New Energy Envioronment Industrial Co., Ltd., manager of Production and Technology Department of HNEIC, manager of Planning Department of the Company, manager of Corporate Culture Deportment of the Company, general manager of Jilin Tongyu Wind Power Brach of HIPDC, general manager of Huaneng Tongyu Xinhua Wind Power Co., Ltd., general manager of Huaneng Keyouzhongqi Wind Power Co., Ltd.. Mr. Yu graduated from Northern Jiaotong University with a master degree of engineering, specializing in material management engineering. Mr. Yu is a senior engineer.

SENIOR MANAGEMENT

Mr. LIN Gang Please refer to his biography under the sub-section headed "-Executive Directors".

Mr. NIU Dongchun Please refer to his biography under the sub-section headed "-Executive Directors".

Mr. YU Chunping (余春平), aged 46, is a Vice President of the Company. Mr. Yu joined the Company in December 2012. Mr. Yu has served successively as assistant to general manager of Huaneng Simulation Technology Corporation (華能仿真技術公司), deputy chief of Policy Research Division of Strategy Research Department of Huaneng Group, deputy chief (in charge of work) of the Marketing Division of Marketing Department of Huaneng Group, deputy chief (in charge of work) of the Marketing Division of Marketing Department of HPI, chief of the Third Marketing Division and the Market Division of the Marketing Department of HPI, chief of the General Division and deputy manager of Marketing Department of HPI, Vice President of Huaneng Jiangsu Company (華能江蘇分公司). Mr. Yu obtained a bachelor's degree in thermal turbomachinery and a master's degree in engineering from Xi'an Jiaotong University (西安交通大學), respectively. He also obtained an MBA degree form Tsinghua University. Mr. Yu is a senior engineer.

Ms. YANG Qing Please refer to her biography under the sub-section headed "-Executive Directors".

Mr. HE Yan Please refer to his biography under the sub-section headed "-Executive Directors".

Mr. HE Ji (何驥), aged 52, is a Vice President of the Company. Mr. He jointed the Company in December 2012. Mr. He has served successively as deputy chief and chief of the Safety Supervision Division of Huaneng Group, chief of the Safety Supervision Division of Safety Supervision and Technology Environmental Protection Department of Huaneng Group, head of Discipline Inspection Commission, Chairman of Labor Union of Huaneng Hebei Corporation (華能河北分公司), Vice President of Huaneng Hebei Corporation. Mr. He obtained a bachelor's degree in power engineering from Tsinghua University. He is a senior engineer.

Biographies of Directors, Supervisors and Senior Management

Mr. DING Kun (丁坤), aged 41, is a Vice President of the Company. Mr. Ding joined the Company in October 1998. Mr. Ding has served successively as deputy general manager and chief engineer of Huaneng Dali Hydropower Co., Ltd., general manager of Jilin Tongyu Wind Power Branch of HIPDC, the person-in-charge of HNEIC Inner Mongolia Branch, the preparatory bureau of Wuchuan Wind Power Project and Wulate Middle Banner Wind Power Project, assistant to president and concurrently manager of Construction and Engineering Department of HNEIC, assistant to president and concurrently manager of Construction and Engineering Department of the Company. Mr. Ding obtained a bachelor's degree in engineering from Beijing University of Agricultural Engineering and a master's degree in engineering from Kunming University of Science and Technology. He is a senior engineer.

Mr. HU Ying (胡瑛), aged 39, is a Vice President of the Company. Mr. Hu joined the Company in October 1998. Mr. Hu has served successively as deputy general manager, general manager of Huaneng Dali Hydropower Co., Ltd., general manager of Huaneng Fuxin Wind Power Co., Ltd., assistant to president of HNEIC, and assistant to president of the Company. Mr. Hu obtained an associate degree in power equipment of hydro power station from Changchun Hydro Power College. He also graduated from Beijing Jiaotong University with an MBA degree. Mr. Hu is an engineer.

Mr. YAN Shusen (閆樹森), aged 46, is a Vice President of the Company. Mr. Yan joined the Company in August 2011. Mr. Yan has served successively as deputy director of the Policy Research Office of Peking University, deputy head of the Development and Planning Department and concurrently the director of the Undertakings Development and Planning Office of Peking University, a confirmed chief rank investigation and research fellow and concurrently the vice chief of the Youth Cadre Services Division of Cadre Services Bureau I, chief of the Youth Cadre Services Division of Cadre Services Bureau I and chief of the Personnel General Division of Division I of the Personnel Services Bureau under the Central Committee of Communist Party of China ("CCCPC") Organization Department, director of the Office and chief of Division I of the Personnel Services Bureau under the CCCPC Organization Department. Mr. Yan graduated from Peking University with a doctorate degree in politics. He is an associate research fellow.

Ms. SONG Yuhong (宋育紅), aged 45, is the secretary to the Board of the Company, joint company secretary of the Company and an assistant to the president of the Company. Ms. Song joined the Company in April 2002. She has served successively as deputy manager of New Energy Department, deputy manager of the Second Project Department, and manager of the Commerce Department of HNEIC. Ms. Song graduated from Beijing University of Technology with a bachelor's degree in engineering. She also graduated from North China Electric Power University with a master's degree in management. She is a senior engineer.

JOINT COMPANY SECRETARIES

Ms. SONG Yuhong Please refer to her biography under the sub-section headed "-Senior Management".

Ms. MOK Ming Wai Ms. MOK Ming Wai（莫明慧）, aged 41, was appointed as the joint company secretary of the Company on 28 March 2011. Ms. Mok is director of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. She has over 15 years of professional and in-house experience in company secretarial field. Prior to joining KCS Hong Kong Limited, she worked at KPMG Hong Kong. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom.

Independent Auditor's Report

Independent auditor's report to the shareholders of
Huaneng Renewables Corporation Limited
(Established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Huaneng Renewables Corporation Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 84 to 171, which comprise the consolidated and company balance sheets as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

19 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012
(Expressed in Renminbi unless otherwise stated)

	Note	2012 RMB'000	2011 RMB'000
Revenue	4	**4,026,904**	3,195,932
Other net income	5	**189,542**	682,522
Operating expenses			
Depreciation and amortisation		**(1,612,031)**	(1,169,281)
Personnel costs		**(151,002)**	(117,950)
Repairs and maintenance		**(50,355)**	(29,925)
Administration expenses		**(126,793)**	(117,765)
Other operating expenses		**(103,880)**	(92,076)
		(2,044,061)	(1,526,997)
Operating profit		**2,172,385**	2,351,457
Finance income		**98,749**	47,765
Finance expenses		**(1,640,527)**	(1,260,124)
Net finance expenses	6	**(1,541,778)**	(1,212,359)
Profit before taxation	7	**630,607**	1,139,098
Income tax	8	**(29,523)**	(32,277)
Profit for the year		**601,084**	1,106,821

The notes on pages 94 to 171 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012
(Expressed in Renminbi unless otherwise stated)

	Note	2012 RMB'000	2011 RMB'000
Other comprehensive income for the year, net of tax	12		
Available-for-sale securities: net movement in the fair value reserve		**(69,989)**	—
Exchange difference on translation of financial statements of an overseas subsidiary		**572**	(785)
		(69,417)	(785)
Total comprehensive income for the year		**531,667**	1,106,036
Profit attributable to:			
Shareholders of the Company		**557,940**	1,023,027
Non-controlling interests		**43,144**	83,794
Profit for the year		**601,084**	1,106,821
Total comprehensive income attributable to:			
Shareholders of the Company		**488,523**	1,022,242
Non-controlling interests		**43,144**	83,794
Total comprehensive income for the year		**531,667**	1,106,036
Basic and diluted earnings per share (RMB cents)	13	**6.61**	14.06

The notes on pages 94 to 171 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2012
(Expressed in Renminbi unless otherwise stated)

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	14	**39,859,069**	36,956,402
Lease prepayments	15	**121,625**	102,159
Intangible assets	16	**363,511**	381,390
Investment in a jointly controlled entity	18	**85,100**	85,100
Other non-current assets	19	**3,717,288**	3,824,175
Deferred tax assets	27(b)	**6,382**	7,149
Total non-current assets		**44,152,975**	41,356,375
Current assets			
Inventories		**4,070**	2,086
Trade debtors and bills receivable	20	**3,302,640**	2,010,495
Prepayments and other current assets	21	**561,532**	584,276
Tax recoverable	27(a)	**—**	9
Restricted deposits	22	**208,979**	59,467
Cash at bank and on hand	23	**5,468,725**	7,517,988
Total current assets		**9,545,946**	10,174,321
Current liabilities			
Borrowings	24	**8,276,387**	6,758,833
Obligations under finance leases	25	**361,407**	283,067
Other payables	26	**6,213,566**	8,838,884
Tax payable	27(a)	**30,584**	17,993
Total current liabilities		**14,881,944**	15,898,777
Net current liabilities		**(5,335,998)**	(5,724,456)
Total assets less current liabilities		**38,816,977**	35,631,919

The notes on pages 94 to 171 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2012
(Expressed in Renminbi unless otherwise stated)

	Note	2012 RMB'000	2011 RMB'000
Non-current liabilities			
Borrowings	24	**22,004,758**	19,257,069
Obligations under finance leases	25	**2,256,964**	2,384,147
Retention payables		**1,572,369**	1,546,593
Deferred income	28	**273,297**	257,826
Deferred tax liabilities	27(b)	**18,290**	26,843
Total non-current liabilities		**26,125,678**	23,472,478
NET ASSETS		**12,691,299**	12,159,441
CAPITAL AND RESERVES	29		
Share capital		**8,446,898**	8,446,898
Reserves		**3,373,144**	2,884,621
Total equity attributable to the shareholders of the Company		**11,820,042**	11,331,519
Non-controlling interests		**871,257**	827,922
TOTAL EQUITY		**12,691,299**	12,159,441

Approved and authorised for issue by the board of directors on 19 March 2013.

Name: **Cao Peixi**
Position: *Chairman*

Name: **Yang Qing**
Position: *Director*

The notes on pages 94 to 171 form part of these financial statements.

Balance Sheet

At 31 December 2012
(Expressed in Renminbi unless otherwise stated)

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	14	**371,949**	363,707
Intangible assets		**143**	—
Investments in subsidiaries	17	**7,586,810**	6,500,974
Investment in a jointly controlled entity	18	**85,100**	85,100
Other non-current assets	19	**13,906,337**	12,057,790
Total non-current assets		**21,950,339**	19,007,571
Current assets			
Trade debtors and bills receivable	20	**800**	750
Prepayments and other current assets	21	**8,977,774**	6,811,291
Restricted deposits	22	**119,776**	34,367
Cash at bank and on hand	23	**3,837,736**	5,669,629
Total current assets		**12,936,086**	12,516,037
Current liabilities			
Borrowings	24	**7,457,536**	5,895,783
Obligations under finance leases	25	**171,494**	160,058
Other payables	26	**779,830**	2,794,174
Tax payable		**3,418**	3,418
Total current liabilities		**8,412,278**	8,853,433
Net current assets		**4,523,808**	3,662,604
Total assets less current liabilities		**26,474,147**	22,670,175

The notes on pages 94 to 171 form part of these financial statements.

Balance Sheet

At 31 December 2012
(Expressed in Renminbi unless otherwise stated)

	Note	**2012**	2011
		RMB'000	*RMB'000*
Non-current liabilities			
Borrowings	24	**15,821,862**	12,091,722
Obligations under finance leases	25	**622,951**	795,007
Deferred income	28	**650**	700
Total non-current liabilities		**16,445,463**	12,887,429
NET ASSETS		**10,028,684**	9,782,746
CAPITAL AND RESERVES	29		
Share capital		**8,446,898**	8,446,898
Reserves		**1,581,786**	1,335,848
TOTAL EQUITY		**10,028,684**	9,782,746

Approved and authorised for issue by the board of directors on 19 March 2013.

Name: **Cao Peixi**
Position: *Chairman*

Name: **Yang Qing**
Position: *Director*

The notes on pages 94 to 171 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012
(Expressed in Renminbi unless otherwise stated)

		Attributable to the shareholders of the Company							
		Share capital	Capital reserve	Statutory surplus reserve	Exchange reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note 29(c))	(note 29(d)(i))	(note 29(d)(ii))	(note 29 (d)(iii))				
Balance at 1 January 2011		5,800,000	(1,328,216)	2,830	—	809,272	5,283,886	834,933	6,118,819
Changes in equity for 2011:									
Profit for the year		—	—	—	—	1,023,027	1,023,027	83,794	1,106,821
Other comprehensive income		—	—	—	(785)	—	(785)	—	(785)
Total comprehensive income		—	—	—	(785)	1,023,027	1,022,242	83,794	1,106,036
Issuance of shares upon public offering, net of issuing expenses	29(c)	2,646,898	2,694,693	—	—	—	5,341,591	—	5,341,591
Capital contributions		—	—	—	—	—	—	5,383	5,383
Special distribution to China Huaneng Group ("Huaneng Group")	29(b)(ii)	—	—	—	—	(316,200)	(316,200)	—	(316,200)
Dividends by subsidiaries to non-controlling equity owners		—	—	—	—	—	—	(96,188)	(96,188)
Balance at 31 December 2011		8,446,898	1,366,477	2,830	(785)	1,516,099	11,331,519	827,922	12,159,441

The notes on pages 94 to 171 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012
(Expressed in Renminbi unless otherwise stated)

	Attributable to the shareholders of the Company								
	Share capital RMB'000 (note 29(c))	Capital reserve RMB'000 (note 29(d)(i))	Statutory surplus reserve RMB'000 (note 29(d)(ii))	Exchange reserve RMB'000 (note 29 (d)(iii))	Fair value reserve RMB'000 (note 29 (d)(iv))	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2012	8,446,898	1,366,477	2,830	(785)	—	1,516,099	11,331,519	827,922	12,159,441
Changes in equity for 2012:									
Profit for the year	—	—	—	—	—	557,940	557,940	43,144	601,084
Other comprehensive income	—	—	—	572	(69,989)	—	(69,417)	—	(69,417)
Total comprehensive income	—	—	—	572	(69,989)	557,940	488,523	43,144	531,667
Capital contributions	—	—	—	—	—	—	—	62,189	62,189
Transfer to reserve fund	—	—	21,248	—	—	(21,248)	—	—	—
Dividends by subsidiaries to non-controlling equity owners	—	—	—	—	—	—	—	(61,998)	(61,998)
Balance at 31 December 2012	8,446,898	1,366,477	24,078	(213)	(69,989)	2,052,791	11,820,042	871,257	12,691,299

The notes on pages 94 to 171 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012
(Expressed in Renminbi unless otherwise stated)

	2012 RMB'000	2011 RMB'000
Cash flows from operating activities		
Profit for the year	**601,084**	1,106,821
Adjustments for:		
Depreciation	**1,590,987**	1,149,529
Amortisation	**21,044**	19,752
Amortisation of deferred income	**(13,663)**	(11,967)
Net loss/(gain) on disposal of property, plant and equipment	**23**	(11)
Interest expenses on financial liabilities	**1,620,332**	1,058,972
Foreign exchange differences, net	**(2,535)**	193,582
Interest income on financial assets	**(92,214)**	(43,023)
Dividend income	**(4,000)**	(3,000)
Income tax	**29,523**	32,277
Others	**5,962**	1,773
Changes in working capital:		
Increase in inventories	**(1,984)**	(1,394)
Increase in trade debtors and bills receivable	**(1,228,449)**	(1,026,967)
Decrease / (Increase) in prepayments and other current assets	**15,598**	(389,209)
Increase in other payables	**595,946**	496,611
Cash generated from operations	**3,137,654**	2,583,746
PRC income tax paid	**(24,709)**	(21,902)
Net cash from operating activities	**3,112,945**	2,561,844
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment, lease prepayments and intangible assets	**(6,579,922)**	(7,699,356)
Payments for acquisition of financial assets	**(191,590)**	(327,655)
Government grant received	**30,675**	42,124
Proceeds from disposal of property, plant and equipment	**33**	100
Dividends received	**4,000**	3,000
Interest received	**86,775**	43,023
Time deposits	**(1,688,592)**	(67)
Others	**(16,481)**	151,515
Net cash used in investing activities	**(8,355,102)**	(7,787,316)

The notes on pages 94 to 171 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012
(Expressed in Renminbi unless otherwise stated)

	Note	2012 RMB'000	2011 RMB'000
Cash flows from financing activities			
Net proceeds from issuance of shares under the public offering		**—**	5,402,745
Capital contributions from the non-controlling equity owners		**62,189**	5,383
Proceeds from borrowings		**12,282,170**	13,535,867
Repayment of borrowings		**(8,019,124)**	(5,537,678)
Dividends paid by subsidiaries to non-controlling equity owners		**(31,829)**	(82,128)
Special distribution paid to Huaneng Group		**(316,200)**	—
Interest paid		**(1,857,931)**	(1,315,913)
Payment of finance lease obligations		**(617,284)**	(367,394)
Others		**1,500**	(60,555)
Net cash from financing activities		**1,503,491**	11,580,327
Net (decrease)/increase in cash and cash equivalents		**(3,738,666)**	6,354,855
Cash and cash equivalents at 1 January		**7,506,226**	1,297,771
Effect of foreign exchange rate changes		**811**	(146,400)
Cash and cash equivalents at 31 December	23	**3,768,371**	7,506,226

Note:

(i) For major non-cash transactions, please refer to note 34.

The notes on pages 94 to 171 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2012
(Expressed in thousands of Renminbi unless otherwise stated)

1 PRINCIPAL ACTIVITIES AND ORGANISATION

Huaneng Renewables Corporation Limited (the "Company") was established in the People's Republic of China (the "PRC") on 5 August 2010 as a joint stock company with limited liability as part of the reorganisation of Huaneng New Energy Industrial Co., Ltd. ("HNEIC") (the "Reorganisation"). The Company and its subsidiaries (the "Group") are mainly engaged in wind power generation and sale in the PRC.

On 10 June 2011, the Company became listed on the Main Board of The Stock Exchange of Hong Kong Limited ("HKSE").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on HKSE. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Group and the Group's interest in a jointly controlled entity.

The consolidated financial statements have been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 December 2012 amounting to RMB5,335,998,000. The directors are of the opinion that, based on a review of the forecasted cash flows, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements (see note 30(b)).

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that the financial instruments classified as available-for-sale or as trading securities (see note 2(g)) are stated at their fair value.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2(w)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. These include the amendments to IFRS 7, Financial instruments: disclosures concerning transfers of financial assets which require certain disclosures to be included in the financial statements in respect of all transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

None of the other developments are relevant to the Group's financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the Group's presentation currency and the functional currency of the Company and its PRC subsidiaries.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in accordance with notes 2(n) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 2(f)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Subsidiaries and non-controlling interests (continued)

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(w)).

(f) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(w)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Jointly controlled entities (continued)

When the Group ceases to have joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's balance sheet, its investments in the jointly controlled entity are stated at cost less impairment losses (see note 2(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(w)).

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date their fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 2(t)(iv) and (v).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (see note 2(k)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(k)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities (continued)

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit and loss in accordance with the policy set out in note 2(t)(iv) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(t)(v). When these investments are derecognised or impaired (see note 2(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(v)).

The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is capitalised.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Buildings and structures	8–30 years
— Wind turbines	20 years
— Other machinery and equipment	5–30 years
— Motor vehicles	9 years
— Furniture, fixtures and others	5–8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. Intangible assets received as consideration for providing construction services in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortisation and impairment losses (see note 2(k)).

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Concession assets	25 years
— Software and others	3–5 years

Both the period and method of amortisation are reviewed annually.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investment in subsidiaries and jointly controlled entities (including those recognised using the equity method (see note 2(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease; and

— intangible assets.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

A defined contribution plan is a post-employment benefit plan under which an entity pay fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligation for the statutory defined contribution pension plans are recognised as an expense in profit or loss when they are due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income tax levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of electricity

Electricity revenue is recognised when electricity is supplied to the provincial grid companies. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

(ii) Service concession construction revenue

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed. Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered.

(iii) Rendering of services

Revenue from the rendering of services is recognised in the statement of comprehensive income by reference to the stage of completion of the transaction based on the progress of work performed.

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition (continued)

(vi) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and consequently are recognised in profit or loss on a systematic basis over the useful life of the asset by way of reduced depreciation expense.

(vii) Certified Emission Reductions ("CERs") income

The Group sells carbon credits known as CERs, generated from the wind farms which have been registered as Clean Development Mechanism ("CDM") projects with CDM Executive Board ("CDM EB") of the United Nations under the Kyoto Protocol. Revenue in relation to the CERs is recognised when following conditions are met:

— the counterparties have committed to purchase the CERs;

— the sales prices have been agreed and are fixed or could be reliably estimated; and

— relevant electricity has been generated.

The revenue related to CERs are recognised and recorded in trade receivables for the volume verified by the independent supervisors assigned by CDM EB and in other receivables for the remaining volume.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Translation of foreign currencies (continued)

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Non-current assets held for sale (continued)

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits and financial assets (other than investments in subsidiaries and joint ventures). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies: (continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those polices and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the financial statements.

(a) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would by higher than estimated.

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(b) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, lease prepayments and intangible assets, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

(c) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(d) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(e) Income tax

The Group files income taxes with a number of tax authorities. Judgment is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determinations are uncertain during the ordinary course of business. Where the final tax outcomes of these matters are different from the amounts originally recorded, the differences may impact the current income tax and deferred income tax provisions in the periods in which the final tax outcomes became available.

(Expressed in thousands of Renminbi unless otherwise stated)

4 REVENUE

The amount of each significant category of revenue recognised during the year is as follows:

	2012	2011
	RMB'000	*RMB'000*
Sales of electricity	**4,025,472**	3,160,089
Rendering of repair and maintenance services	**—**	32,383
Others	**1,432**	3,460
	4,026,904	3,195,932

The Group has a single reportable segment which is wind power segment. As the Group does not have material operations outside the PRC, no geographic segment information is presented. Revenue from the PRC government controlled power grid companies amounted to RMB4,025,472,000 for the year ended 31 December 2012 (2011: RMB3,160,089,000).

5 OTHER NET INCOME

	2012	2011
	RMB'000	*RMB'000*
CERs income	**105,044**	483,569
Government grants	**83,844**	109,025
Net (loss)/gain on disposal of property, plant and equipment	**(23)**	11
Others	**677**	89,917
	189,542	682,522

(Expressed in thousands of Renminbi unless otherwise stated)

6 FINANCE INCOME AND EXPENSES

	2012 *RMB'000*	2011 *RMB'000*
Interest income on financial assets	**92,214**	43,023
Foreign exchange gains	**2,535**	1,742
Dividend income from other investment	**4,000**	3,000
Finance income	**98,749**	47,765
Interest on bank and other borrowings wholly repayable within five years	**565,011**	342,052
Interest on others loans and finance charges on obligations under finance leases	**1,500,001**	1,153,545
Less: interest expenses capitalised into property, plant and equipment	**444,680**	436,625
	1,620,332	1,058,972
Foreign exchange losses	**14,201**	195,324
Bank charges and others	**5,994**	5,828
Finance expenses	**1,640,527**	1,260,124
Net finance expenses recognised in profit or loss	**(1,541,778)**	(1,212,359)

The borrowing costs have been capitalised at rates of 5.74% to 7.00% for the year ended 31 December 2012 (2011: 5.01% to 7.36%).

(Expressed in thousands of Renminbi unless otherwise stated)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Personnel costs

	2012 RMB'000	2011 RMB'000
Salaries, wages and other benefits	**134,441**	107,264
Contributions to defined contribution retirement plan	**16,561**	10,686
	151,002	117,950

Pursuant to the relevant labour rules and regulations in the PRC, the Group participated in defined contribution retirement schemes (the "Schemes") organised by the relevant local government authorities for its employees. The Group is required to make contributions to the Schemes at 16% to 20% of the salaries of the employees. The local government authorities are responsible for the pension obligations to retired employees. In addition, the Group and its staff participate in a retirement plan managed by Huaneng Group to supplement the above-mentioned Schemes. The Group has no other material obligation to make payments in respect of pension benefits associated with these Schemes and supplementary retirement plan other than the annual contributions described above.

(b) Other items

	2012 RMB'000	2011 RMB'000
Amortisation		
— lease prepayments	**2,732**	1,898
— intangible assets	**18,312**	17,854
Depreciation		
— property, plant and equipment	**1,590,987**	1,149,529
Auditors' remuneration		
— audit services	**10,900**	9,900
— other services	**4,650**	3,100
Operating lease charges: minimum lease payments		
— hire of properties	**15,193**	11,708
Cost of inventories	**12,343**	31,225

(Expressed in thousands of Renminbi unless otherwise stated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of comprehensive income represents:

	2012	2011
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**47,710**	31,820
— PRC *(note (i))*	**47,710**	31,511
— Hong Kong profits tax *(note (ii))*	**—**	309
(Over)/under-provision in respect of prior years	**(10,401)**	2,328
	37,309	34,148
Deferred tax		
Origination and reversal of temporary differences *(note 27(b))*	**(7,786)**	(1,871)
	29,523	32,277

Notes:

(i) The provision for income tax of the Group is calculated based on a statutory rate of 25% of the assessable profit of the Group, except for certain subsidiaries of the Group which are tax exempted or taxed at preferential rates, as determined in accordance with the relevant PRC income tax rules and regulations for the year ended 31 December 2012 and 2011.

(ii) Huaneng Renewables (Hong Kong) Limited, a subsidiary of the Group incorporated in Hong Kong in 2011, is subject to Hong Kong profits tax which is calculated at 16.5% of its estimated assessable profit for the year.

(Expressed in thousands of Renminbi unless otherwise stated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2012	2011
	RMB'000	*RMB'000*
Profit before taxation	**630,607**	1,139,098
Applicable tax rate	**25%**	25%
Notional tax on profit before taxation	**157,652**	284,775
Tax effect of non-deductible expenses	**1,510**	2,031
Tax effect of non-taxable income	**(1,000)**	(750)
Effect of differential tax rate of certain subsidiaries of the Group *(note (i))*	**(242,762)**	(303,418)
Tax effect of unused tax losses not recognised	**125,622**	43,421
Tax credits for purchase of domestic equipment	**—**	197
(Over)/under-provision in respect of prior years	**(10,401)**	2,328
Others	**(1,098)**	3,693
Income tax	**29,523**	32,277

Note:

(i) Pursuant to CaiShui [2008] No.46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment (財政部、國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知), certain wind power projects of the Group, which are approved after 1 January 2008, are entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective years in which their first operating income was derived (the "3+3 tax holiday").

In addition, pursuant to Caishui [2012] No.10 Notice on the Implementation of Public Infrastructure Projects and Projects of Environmental Protection, Energy Saving and Water Conservation Entitled for Preferential Tax Treatment (財政部、國家稅務總局關於公共基礎設施項目和環境保護節能節水項目企業所得稅優惠政策問題的通知), certain wind power projects of the Group, which are approved before 31 December 2007, are also entitled to the 3+3 tax holiday commencing from the year in which the first operating income was derived but could only enjoy those tax benefit subsequent to 1 January 2008.

(Expressed in thousands of Renminbi unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of directors' and supervisors' emoluments are as follows:

	Directors' and Supervisors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	2012 Total *RMB'000*
Directors					
Mr. Cao Peixi (Chairman)	—	—	—	—	—
Mr. Zhang Tingke	—	—	—	—	—
Mr. Zhao Keyu	—	—	—	—	—
Mr. Lin Gang (appointed in February 2012)	—	627	208	67	902
Mr. Zhao Shiming (resigned in February 2012)	—	114	208	11	333
Mr. Niu Dongchun	—	627	208	66	901
Ms. Yang Qing	—	588	177	67	832
Mr. He Yan	—	588	177	67	832
Independent non-executive directors					
Mr. Qin Haiyan	140	—	—	—	140
Ms. Dai Huizhu	140	—	—	—	140
Mr. Zhou Shaopeng	140	—	—	—	140
Mr. Wan Kam To	140	—	—	—	140
Supervisors					
Mr. Huang Jian	—	—	—	—	—
Mr. Wang Huanliang	—	—	—	—	—
Mr. Yu Zewei (appointed in July 2012)	—	344	—	33	377
Mr. Liang Zongxin (resigned in July 2012)	—	245	177	28	450
	560	3,133	1,155	339	5,187

(Expressed in thousands of Renminbi unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	Directors' and Supervisors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	2011 Total *RMB'000*
Directors					
Mr. Cao Peixi (Chairman)	—	—	—	—	—
Mr. Zhang Tingke (appointed in November 2011)	—	—	—	—	—
Mr. Huang Long (resigned in November 2011)	—	—	—	—	—
Mr. Zhao Keyu	—	—	—	—	—
Mr. Zhao Shiming	—	649	199	63	911
Mr. Niu Dongchun	—	649	199	63	911
Ms. Yang Qing	—	562	169	57	788
Mr. He Yan	—	562	169	57	788
Independent non-executive directors					
Mr. Qin Haiyan	140	—	—	—	140
Ms. Dai Huizhu	140	—	—	—	140
Mr. Zhou Shaopeng	140	—	—	—	140
Mr. Wan Kam To	140	—	—	—	140
Supervisors					
Mr. Huang Jian (appointed in November 2011)	—	—	—	—	—
Mr.Xu Ping (resigned in November 2011)	—	—	—	—	—
Mr. Wang Huanliang	—	—	—	—	—
Mr. Liang Zongxin	—	562	169	57	788
	560	2,984	905	297	4,746

(Expressed in thousands of Renminbi unless otherwise stated)

10 INDIVIDUALS WITH HIGH EMOLUMENTS

Of the five individuals with the highest emoluments, four (2011: five) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other one (2011: nil) individual is as follows:

	2012 **RMB'000**	2011 RMB'000
Salaries, allowances and benefits in kind	**588**	—
Discretionary bonuses	**177**	—
Retirement scheme contributions	**67**	—
	832	—

11 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company includes a loss of RMB35,167,000 (2011: RMB184,346,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	Note	**2012** **RMB'000**	2011 RMB'000
Amount of consolidated profit attributable to shareholders dealt with in the Company's financial statements		**(35,167)**	(184,346)
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved during the year		**281,105**	441,618
Company's profit for the year	29(a)	**245,938**	257,272

Details of dividends paid and payable to equity shareholders of the Company are set out in note 29(b).

(Expressed in thousands of Renminbi unless otherwise stated)

12 OTHER COMPREHENSIVE INCOME

	2012 **RMB'000**	2011 RMB'000
Available-for-sale securities:		
Net movement in fair value reserve		
— Before tax amount		
Changes in fair value recognised during the year	**(69,989)**	—
— Tax expense	**—**	—
Net of tax amount	**(69,989)**	—
Exchange difference on translation of financial statements of an overseas subsidiary		
— Before and net of tax amount	**572**	(785)
Other comprehensive income	**(69,417)**	(785)

13 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company for the year ended 31 December 2012 of RMB557,940,000 (2011: RMB1,023,027,000) and the weighted average number of shares in issue during the year ended 31 December 2012 of 8,446,898,000 (2011: 7,274,690,000).

The weighted average number of shares for the year ended 31 December 2011 reflects the issuance of 2,646,898,000 shares in June and July 2011 in connection with the Company's initial public offering (the "IPO") (see note 29(c)). The weighted average number of shares in issue is set out below:

	2012 **Thousands shares**	2011 Thousands shares
Issued ordinary shares at 1 January	**8,446,898**	—
Shares issued to shareholders of the Company upon formation of the Company	**—**	5,800,000
Effect of shares issued in 2011	**—**	1,474,690
	8,446,898	7,274,690

There was no difference between the basic and diluted earnings per share as there were no dilutive potential shares outstanding for the years presented.

(Expressed in thousands of Renminbi unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings and structures *RMB'000*	Generators and related equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2011	1,185,096	16,413,806	88,419	31,048	11,103,340	28,821,709
Additions	136	497	32,926	17,277	10,264,600	10,315,436
Transfer from construction in progress	856,423	10,848,958	—	259	(11,705,640)	—
Disposals	—	(5,300)	(380)	(159)	—	(5,839)
Reclassification	(29,230)	35,105	1,051	(6,926)	—	—
At 31 December 2011	2,012,425	27,293,066	122,016	41,499	9,662,300	39,131,306
At 1 January 2012	**2,012,425**	**27,293,066**	**122,016**	**41,499**	**9,662,300**	**39,131,306**
Additions	**—**	**17,509**	**16,343**	**9,889**	**4,458,857**	**4,502,598**
Transfer from construction in progress	**1,203,569**	**8,469,298**	**144**	**2,253**	**(9,675,264)**	**—**
Disposals	**—**	**—**	**(532)**	**(33)**	**—**	**(565)**
Reclassification	**(161,487)**	**161,776**	**—**	**(289)**	**—**	**—**
At 31 December 2012	**3,054,507**	**35,941,649**	**137,971**	**53,319**	**4,445,893**	**43,633,339**
Accumulated depreciation and impairment losses:						
At 1 January 2011	51,516	939,396	21,773	6,094	—	1,018,779
Depreciation charge for the year	60,496	1,079,918	13,008	5,101	—	1,158,523
Written back on disposal	—	(1,978)	(291)	(129)	—	(2,398)
Reclassification	(1,977)	1,967	(231)	241	—	—
At 31 December 2011	110,035	2,019,303	34,259	11,307	—	2,174,904
At 1 January 2012	**110,035**	**2,019,303**	**34,259**	**11,307**	**—**	**2,174,904**
Depreciation charge for the year	**89,487**	**1,486,599**	**15,500**	**8,290**	**—**	**1,599,876**
Written back on disposal	**—**	**—**	**(496)**	**(14)**	**—**	**(510)**
Reclassification	**13,735**	**(13,720)**	**—**	**(15)**	**—**	**—**
At 31 December 2012	**213,257**	**3,492,182**	**49,263**	**19,568**	**—**	**3,774,270**
Net book value:						
At 31 December 2011	**1,902,390**	**25,273,763**	**87,757**	**30,192**	**9,662,300**	**36,956,402**
At 31 December 2012	**2,841,250**	**32,449,467**	**88,708**	**33,751**	**4,445,893**	**39,859,069**

(Expressed in thousands of Renminbi unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The Company

	Buildings and structures *RMB'000*	Generators and related equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2011	—	5,582	4,514	4,306	199,612	214,014
Additions	—	—	—	7,963	353,491	361,454
Transfer to subsidiaries	—	—	—	—	(204,730)	(204,730)
At 31 December 2011	—	5,582	4,514	12,269	348,373	370,738
At 1 January 2012	**—**	**5,582**	**4,514**	**12,269**	**348,373**	**370,738**
Additions	**—**	**—**	**3,790**	**1,165**	**132,705**	**137,660**
Transfer to subsidiaries	**—**	**—**	**—**	**—**	**(126,363)**	**(126,363)**
At 31 December 2012	**—**	**5,582**	**8,304**	**13,434**	**354,715**	**382,035**
Accumulated depreciation and impairment losses:						
At 1 January 2011	—	1,485	2,642	1,410	—	5,537
Depreciation charge for the year	—	198	274	1,022	—	1,494
At 31 December 2011	—	1,683	2,916	2,432	—	7,031
At 1 January 2012	**—**	**1,683**	**2,916**	**2,432**	**—**	**7,031**
Depreciation charge for the year	**—**	**198**	**484**	**2,373**	**—**	**3,055**
At 31 December 2012	**—**	**1,881**	**3,400**	**4,805**	**—**	**10,086**
Net book value:						
At 31 December 2011	—	3,899	1,598	9,837	348,373	363,707
At 31 December 2012	**—**	**3,701**	**4,904**	**8,629**	**354,715**	**371,949**

(Expressed in thousands of Renminbi unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(i) The Group's property, plants and buildings are all located in the PRC.

(ii) Property, plant and equipment held under finance leases

Certain properties and equipment of the Group with an aggregate net book value of RMB2,656,788,000 as at 31 December 2012 (2011: RMB2,670,894,000), are accounted for as finance leases (of which RMB1,066,126,000 are finance leases pursuant to sales and leaseback transactions (2011: RMB1,124,579,000)), with maturity periods of 81 to 120 months.

Certain properties and equipment held under finance leases were pledged by the future electricity revenue of relevant wind power projects of the Group, with an aggregate net book value of RMB578,663,000 as at 31 December 2012 (2011: RMB1,048,820,000).

(iii) As at 31 December 2012, the Group is in the process of applying for or changing registration of the ownership certificates for certain of its properties. The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

15 LEASE PREPAYMENTS

The Group

	2012	2011
	RMB'000	*RMB'000*
Cost:		
At 1 January	**107,820**	68,545
Additions	**22,448**	39,275
At 31 December	**130,268**	107,820
Accumulated amortisation:		
At 1 January	**5,661**	3,489
Amortisation for the year	**2,982**	2,172
At 31 December	**8,643**	5,661
Net book value:	**121,625**	102,159

(Expressed in thousands of Renminbi unless otherwise stated)

15 LEASE PREPAYMENTS (CONTINUED)

Lease prepayments mainly represent prepayments for acquiring rights to use land, which is all located in the PRC, for own use properties with lease period of 20-50 years.

As at 31 December 2012, the Group is in the process of applying for registration of the ownership certificates for certain of its land use right. The directors are of the opinion that the Group is entitled to lawfully occupy or use these land.

16 INTANGIBLE ASSETS

The Group

	Concession assets *RMB'000*	Software and others *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2011	424,817	1,700	426,517
Additions	2,963	1,623	4,586
Disposals	—	(87)	(87)
At 31 December 2011	427,780	3,236	431,016
At 1 January 2012	**427,780**	**3,236**	**431,016**
Additions	**—**	**486**	**486**
At 31 December 2012	**427,780**	**3,722**	**431,502**
Accumulated amortisation:			
At 1 January 2011	31,232	468	31,700
Charge for the year	17,479	470	17,949
Written back on disposal	—	(23)	(23)
At 31 December 2011	48,711	915	49,626
At 1 January 2012	**48,711**	**915**	**49,626**
Charge for the year	**17,572**	**793**	**18,365**
At 31 December 2012	**66,283**	**1,708**	**67,991**
Net book value:			
At 31 December 2011	**379,069**	**2,321**	**381,390**
At 31 December 2012	**361,497**	**2,014**	**363,511**

(Expressed in thousands of Renminbi unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

The Group entered into a service concession agreement with local government (the "Grantor") in prior year to construct and operate a wind power plant during the concession period of 25 years. The Group is responsible for construction and maintenance of the wind power plant during the concession period. At the end of the concession period, the Group needs to dismantle the wind power plant or negotiate with the Grantor for a renewal of the service concession agreement.

The Group has recognized intangible assets related to the service concession arrangement representing the right the Group receives to charge a fee for sales of electricity. The Group has not recognized service concession receivables as the Grantor will not provide the Group any guaranteed minimum payment for the operating period of the wind power plant. The concession assets are amortised over the operating period of the service concession project.

17 INVESTMENTS IN SUBSIDIARIES

The Company

	2012	2011
	RMB'000	*RMB'000*
Unlisted investments, at cost	**7,586,810**	6,500,974

As at 31 December 2012, the subsidiaries of the Company, all of which are unlisted limited liability companies, were listed as follows:

	Name of the company	Place of establishment	Registered capital	Percentage of attributable equity interest held directly	Principal activities
1	Huaneng Shantou Nan'ao Wind Power Company Limited 華能汕頭南澳風力發電有限公司 *(note ii)*	the PRC	RMB23,000,000	52%	Wind power generation
2	Huaneng Shantou Wind Power Company Limited 華能汕頭風力發電有限公司 *(note ii)*	the PRC	RMB194,190,000	50%	Wind power generation
3	HNEEP-CLP Changdao Wind Power Co., Ltd 華能中電長島風力發電有限公司 *(note ii)*	the PRC	RMB99,072,000	55%	Wind power generation
4	HNNE-CLP Weihai Wind Power Company Limited 華能中電威海風力發電有限公司 *(note ii)*	the PRC	RMB253,240,000	55%	Wind power generation

(Expressed in thousands of Renminbi unless otherwise stated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of the company	Place of establishment	Registered capital	Percentage of attributable equity interest held directly	Principal activities
5	Huaneng Rongcheng Wind Power Company Limited 華能榮成風力發電有限公司	the PRC	RMB60,000,000	100%	Wind power generation
6	Huaneng Shouguang Wind Power Company Limited 華能壽光風力發電有限公司	the PRC	RMB186,730,000	55%	Wind power generation
7	Huaneng Changyi Wind Power Company Limited 華能昌邑風力發電有限公司	the PRC	RMB196,500,000	100%	Wind power generation
8	Huaneng Weifang Binhai Wind Power Company Limited 華能濰坊濱海風力發電有限公司	the PRC	RMB90,000,000	100%	Wind power generation
9	Huaneng Lijin Wind Power Company Limited 華能利津風力發電有限公司	the PRC	RMB50,000,000	100%	Wind power generation
10	Huaneng Dongying Hekou Wind Power Company Limited 華能東營河口風力發電有限公司	the PRC	RMB347,060,000	100%	Wind power generation
11	Huaneng Laoting Wind Power Company Limited 華能樂亭風力發電有限公司*(note ii)*	the PRC	RMB185,280,000	55%	Wind power generation
12	Huaneng Chengde Wind Power Company Limited 華能承德風力發電有限公司	the PRC	RMB80,000,000	100%	Wind power generation
13	Huaneng Hong Kong Electric Dali Wind Power Company Limited 華能港燈大理風力發電有限公司*(note ii)*	the PRC	RMB150,690,000	55%	Wind power generation
14	Huaneng Eryuan Wind Power Company Limited 華能洱源風力發電有限公司	the PRC	RMB210,000,000	100%	Wind power generation
15	Huaneng Fuxin Wind Power Company Limited 華能阜新風力發電有限責任公司	the PRC	RMB1,081,250,000	100%	Wind power generation
16	Huaneng Panjin Wind Power Company Limited 華能盤錦風力發電有限公司*(notes iii)*	the PRC	RMB172,336,120	53%	Wind power generation

(Expressed in thousands of Renminbi unless otherwise stated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of the company	Place of establishment	Registered capital	Percentage of attributable equity interest held directly	Principal activities
17	Huaneng Jinzhou Wind Power Company Limited 華能錦州風力發電有限公司	the PRC	RMB10,000,000	100%	Wind power generation
18	Huaneng Tongliao Wind Power Company Limited 華能通遼風力發電有限公司	the PRC	RMB1,334,054,000	100%	Wind power generation and relevant services
19	Huaneng Hulunbuir Wind Power Company Limited 華能呼倫貝爾風力發電有限公司*(note ii)*	the PRC	RMB100,000,000	51%	Wind power generation
20	Huaneng Baotou Wind Power Company Limited 華能包頭風力發電有限公司	the PRC	RMB204,790,700	100%	Wind power generation
21	Huaneng Huhhot Wind Power Company Limited 華能呼和浩特風力發電有限公司	the PRC	RMB274,241,300	100%	Wind power generation
22	Huaneng Keyouzhongqi Wind Power Company Limited 華能科右中旗風力發電有限公司	the PRC	RMB337,488,000	100%	Wind power generation
23	Huaneng Yangjiang Wind Power Company Limited 華能陽江風力發電有限公司	the PRC	RMB60,000,000	100%	Wind power generation
24	Huaneng Jimo Wind Power Company Limited 華能即墨風力發電有限公司	the PRC	RMB20,000,000	100%	Wind power generation
25	Huaneng Tongyu Xinhua Wind Power Company Limited 華能通榆新華風力發電有限公司	the PRC	RMB40,000,000	100%	Wind power generation
26	Huaneng Xinjiang Santanghu Wind Power Company Limited 華能新疆三塘湖風力發電有限責任公司	the PRC	RMB135,000,000	100%	Wind power generation
27	Huaneng Weining Wind Power Company Limited 華能威寧風力發電有限公司	the PRC	RMB20,000,000	100%	Wind power generation

(Expressed in thousands of Renminbi unless otherwise stated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of the company	Place of establishment	Registered capital	Percentage of attributable equity interest held directly	Principal activities
28	Huaneng Ningwu Wind Power Company Limited 華能寧武風力發電有限公司	the PRC	RMB163,000,000	100%	Wind power generation
29	Huaneng New Energy Shanghai Power Company Limited 華能新能源上海發電有限公司	the PRC	RMB44,000,000	100%	Wind power generation
30	Huaneng Tieling Wind Power Company Limited 華能鐵嶺風力發電有限公司	the PRC	RMB155,500,000	75%	Wind power generation
31	Huaneng Yuanping Wind Power Company Limited 華能原平風力發電有限公司	the PRC	RMB96,658,000	100%	Wind power generation
32	Huaneng Tianzhen Wind Power Company Limited 華能天鎮風力發電有限公司	the PRC	RMB95,310,000	100%	Wind power generation
33	Huaneng Pianguan Wind Power Company Limited 華能偏關風力發電有限公司	the PRC	RMB90,200,000	100%	Wind power generation
34	Huaneng Hezhang Wind Power Company Limited 華能赫章風力發電有限公司	the PRC	RMB100,000,000	100%	Wind power generation
35	Huaneng Tieling Daxing Wind Power Company Limited 華能鐵嶺大興風力發電有限公司	the PRC	RMB163,960,000	75%	Wind power generation
36	Huaneng Baicheng Wind Power Company Limited 華能白城風力發電有限公司	the PRC	RMB80,850,000	100%	Wind power generation
37	Huaneng Yantai Wind Power Company Limited 華能煙臺風力發電有限公司	the PRC	RMB20,000,000	100%	Wind power generation
38	Huaneng Dali Wind Power Company Limited 華能大理風力發電有限公司	the PRC	RMB124,000,000	100%	Wind power generation
39	Huaneng Weifang Wind Power Company Limited 華能濰坊風力發電有限公司	the PRC	RMB193,955,500	100%	Wind power generation
40	Huaneng Gaizhou Wind Power Company Limited 華能蓋州風力發電有限公司	the PRC	RMB20,000,000	100%	Wind power generation

(Expressed in thousands of Renminbi unless otherwise stated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of the company	Place of establishment	Registered capital	Percentage of attributable equity interest held directly	Principal activities
41	Huaneng Raoping Wind Power Company Limited 華能饒平風力發電有限公司	the PRC	RMB95,000,000	100%	Wind power generation
42	Huaneng Tielingkaiyuan Wind Power Company Limited 華能鐵嶺開原風力發電有限公司	the PRC	RMB31,860,240	75%	Wind power generation
43	Huaneng Dingbian New Energy Power Company Limited 華能定邊新能源發電有限公司	the PRC	RMB26,000,000	100%	Wind power generation
44	Huaneng Chenbaerhuqi Wind Power Company Limited 華能陳巴爾虎旗風力發電有限公司	the PRC	RMB20,000,000	100%	Wind power generation
45	Huaneng Manzhouli Wind Power Company Limited 華能滿洲里風力發電有限公司	the PRC	RMB40,000,000	100%	Wind power generation
46	Huaneng Zhanjiang Wind Power Company Limited 華能湛江風力發電有限公司	the PRC	RMB10,000,000	100%	Wind power generation
47	Huaneng Xinjiang Qinghe Wind Power Company Limited 華能新疆青河風力發電有限公司	the PRC	RMB10,000,000	100%	Wind power generation
48	Huaneng Nanhua Wind Power Company Limited 華能南華風力發電有限公司	the PRC	RMB1,000,000	100%	Wind power generation
49	Huaneng Zhaojue Wind Power Company Limited 華能昭覺風力發電有限公司	the PRC	RMB1,000,000	100%	Wind power generation
50	Huaneng Renewables (Hong Kong) Limited 華能新能源(香港)有限公司	Hong Kong	HKD100,000	100%	Investment management
51	Huaneng Tangshan Fengnan Wind Power Company Limited 華能唐山豐南風力發電有限公司 *(note iv)*	the PRC	RMB1,000,000	100%	Wind power generation
52	Huaneng Yunlong Wind Power Company Limited 華能雲龍風力發電有限公司*(note iv)*	the PRC	RMB1,000,000	100%	Wind power generation

(Expressed in thousands of Renminbi unless otherwise stated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of the company	Place of establishment	Registered capital	Percentage of attributable equity interest held directly	Principal activities
53	Huaneng Changning Wind Power Company Limited 華能昌寧風力發電有限公司*(note iv)*	the PRC	RMB1,000,000	100%	Wind power generation
54	Huaneng Weishan Wind Power Company Limited 華能巍山風力發電有限公司*(note iv)*	the PRC	RMB1,000,000	100%	Wind power generation
55	Huaneng Yishui Wind Power Company Limited 華能沂水風力發電有限公司*(note iv)*	the PRC	RMB20,000,000	100%	Wind power generation
56	Shanghai Lingang Offshore Wind Power Company Limited 上海臨港海上風力發電有限公司 *(note ii & iv)*	the PRC	RMB351,810,000	46%	Wind power generation
57	Huaneng Mingyang New Energy Investment Company Limited 華能明陽新能源投資有限公司*(notes iv)*	the PRC	RMB100,000,000	63%	Wind power generation
58	Huaneng Heqing Wind Power Company Limited 華能鶴慶風力發電有限公司*(note iv)*	the PRC	RMB1,000,000	100%	Wind power generation
59	Huaneng Kunming Wind Power Company Limited 華能昆明風力發電有限公司*(note iv)*	the PRC	RMB3,000,000	100%	Wind power generation
60	Huaneng Wutai Wind Power Company Limited 華能五台風力發電有限公司*(note iv)*	the PRC	RMB15,000,000	100%	Wind power generation
61	Huaneng Huili Wind Power Company Limited 華能會理風力發電有限公司*(note iv)*	the PRC	RMB1,000,000	100%	Wind power generation
62	Huaneng Butuo Wind Power Company Limited 華能布拖風力發電有限公司*(note iv)*	the PRC	RMB1,000,000	100%	Wind power generation

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Notes:

(i) The English translation of the names is for reference only, except for the subsidiary incorporated in Hong Kong. The official names of these entities are in Chinese.

(ii) The Company directly owns the most equity interests in these companies but the voting power attached to the equity interests does not allow the Company to have the power to govern the financial and operating activities of these companies according to the articles of association of these companies. The Company is the biggest equity owner of these companies and no other equity owners individually or in aggregate had the power to control these companies according to the articles of association. Historically, the Company controlled the operation of these entities by appointing senior management, approving annual budget and determining the remuneration of employees etc. The Company had signed the concert party agreements with certain equity owners of these companies, whereby such equity owners have agreed to vote the same as the Company. Such equity owners have also confirmed that the voting in unison with the Company existed since the establishment of these entities. The PRC lawyer of the Company confirmed that the concert party agreements are valid under relevant PRC laws. Considering above mentioned factors, the directors are of the opinion that the Company controlled these entities during the years presented. Therefore the financial statements of these companies are consolidated by the Company during the years presented.

(iii) The shareholders of Huaneng Panjin Wind Power Company Limited agreed to reduce its total registered capital in 2012. And the percentage of equity interests held by the Company reduced from 75% to 53%, effective from October 2012, while the Company still has the power to control the entity.

(iv) These companies were newly set up in 2012.

(Expressed in thousands of Renminbi unless otherwise stated)

18 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted shares, at cost	**—**	—	**85,100**	85,100
Share of net assets	**85,100**	85,100	**—**	—
	85,100	85,100	**85,100**	85,100

The investment in a jointly controlled entity represented the 50% equity interests in Beijing Hua Heng Hai Hui Oceanic Energy Co., Ltd. (北京華恒海慧海洋能有限責任公司) which has a registered capital of RMB170,200,000, is unlisted, was established in the PRC in 2011 and is mainly engaged in the development of oceanic energy.

As the voting rights attached to the equity interests do not allow either the Company or the other equity owner to have the power to govern its financial and operating activities according to its articles of association, the Directors of the Company are of the opinion that the Company and the other equity owner shared joint control over the economic activity of this entity.

Summary financial information on the jointly controlled entity:

	2012		2011	
	100 percent	**Group's effective interest**	100 percent	Group's effective interest
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Non-current assets	**99,107**	**49,554**	89,504	44,752
Current assets	**101,116**	**50,558**	106,068	53,034
Non-current liabilities	**(30,000)**	**(15,000)**	(25,000)	(12,500)
Current liabilities	**(23)**	**(12)**	(372)	(186)
Net assets	**170,200**	**85,100**	170,200	85,100
Income	**—**	**—**	—	—
Expenses	**—**	**—**	—	—
Profit for the year	**—**	**—**	—	—

For the year ended 31 December 2012
(Expressed in thousands of Renminbi unless otherwise stated)

19 OTHER NON-CURRENT ASSETS

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deductible Value-Added Tax ("VAT") *(note (i))*	**3,084,427**	3,308,579	**—**	—
Unquoted equity investments in non-listed companies, at cost *(note (ii))*	**221,067**	221,067	**123,675**	123,675
Available-for-sale equity securities, measured at fair value — Listed in Hong Kong	**312,716**	191,115	**—**	—
Deposits and advances to third parties *(note (iii))*	**99,078**	103,414	**72,795**	74,433
Loans to subsidiaries *(note (iv))*	**—**	—	**13,709,867**	11,859,682
	3,717,288	3,824,175	**13,906,337**	12,057,790

(Expressed in thousands of Renminbi unless otherwise stated)

19 OTHER NON-CURRENT ASSETS (CONTINUED)

Notes:

(i) Deductible VAT mainly represents the input VAT relating to acquisition of property, plant and equipment, which is deductible from output VAT.

(ii) The following list contains the unquoted equity investments in non-listed entities as of 31 December 2012, all of which are corporate entities and established in the PRC:

Name of the Company	Particulars of registered capital *RMB'000*	Percentage of attributable equity interest	Principal activities
1 China Huaneng Finance Corporation Ltd. ("Huaneng Finance", 中國華能財務有限責任公司)	5,000,000	1%	Financial services
2 Jilin Zhanyu Wind Power Assets Management Co., Ltd. (吉林省瞻榆風電資產經營管理有限公司)	713,800	12.86%	Management of wind power equipment
3 Neimeng Huhhot Hydro-Power Generation Co., Ltd. (內蒙古呼和浩特抽水蓄能發電有限責任公司)	1,500,000	6.49%	Hydro-power generation utilizing pumped storage technology
4 Huaneng Carbon Asset Management Co., Ltd. (華能碳資產經營有限公司)	50,000	10%	Management and investment of carbon assets

The balance of investment in Huaneng Finance was RMB51,225,000 as at 31 December 2012 (31 December 2011: RMB51,225,000).

(iii) The deposits and advances to third parties are unsecured and interest free. The balance of the Group mainly represented deposits with third parties in connection with the finance lease arrangement in the amount of RMB37,444,000 as at 31 December 2012 (31 December 2011: RMB40,173,000), which are expected to be repaid at the end of the lease period, and funding support amounting to RMB46,250,000 as at 31 December 2012 (31 December 2011: RMB46,250,000), to local grid companies in order to facilitate the construction of the grid network, which the Directors of the Company expect it will be recovered in two to three years.

(iv) Loans to subsidiaries were at the rates of 5.54% to 7.05% per annum as at 31 December 2012 (2011: 5.49% to 6.98%). The current portion is recorded in other current assets.

(Expressed in thousands of Renminbi unless otherwise stated)

20 TRADE DEBTORS AND BILLS RECEIVABLE

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts due from third parties	**3,301,840**	2,009,995	**—**	—
Amounts due from fellow subsidiaries	**800**	500	**800**	500
Amounts due from subsidiaries	**—**	—	**—**	250
	3,302,640	2,010,495	**800**	750
Less: allowance for doubtful debts	**—**	—	**—**	—
	3,302,640	2,010,495	**800**	750

The ageing analysis of trade debtors and bills receivable of the Group and the Company is as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current	**3,302,640**	2,010,495	**800**	750
Past due	**—**	—	**—**	—
	3,302,640	2,010,495	**800**	750
Less: allowance for doubtful debts	**—**	—	**—**	—
	3,302,640	2,010,495	**800**	750

The Group's trade receivables are mainly wind power electricity sales receivables from local grid companies. Generally, the receivables are due within 15 - 30 days from the date of billing, except for the tariff premium, representing 30% to 60% of total electricity sales, collected by certain power projects. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid companies, which consequently takes a relatively long time for settlement.

(Expressed in thousands of Renminbi unless otherwise stated)

20 TRADE DEBTORS AND BILLS RECEIVABLE (CONTINUED)

Pursuant to CaiJian [2012] No.102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, a set of standardized procedures for the settlement of the tariff premium has come into force since 2012 and approvals on a project by project basis are required before the allocation of funds to local grid companies. As at 31 December 2012, most of the operating projects have been approved for the tariff premium and certain projects are in the process of applying for the approval. The directors are of the opinion that the approvals will be obtained in due course and these trade and bills receivable from tariff premium are fully recoverable considering there are no bad debt experiences with the grid companies in the past and the tariff premium is funded by the PRC government.

Trade receivables that were neither past due nor impaired mainly represented the electricity sales receivable from local grid companies for whom there was no recent history of default.

All trade debtors and bills receivable are expected to be recovered within one year.

21 PREPAYMENTS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
CERs receivable	**507,508**	501,664	**—**	—
Government grant receivable	**5,827**	13,772	**—**	—
Amounts due from subsidiaries *(note (i))*	**—**	—	**8,925,945**	6,796,288
Amounts due from fellow subsidiaries	**4,005**	5,181	**—**	—
Dividends receivable from subsidiaries	**—**	—	**39,829**	10,894
Interest receivable	**5,439**	—	**5,439**	—
Staff advance	**3,680**	4,712	**426**	609
Deposits	**17,083**	6,524	**5,200**	3,200
Prepayments	**1,550**	926	**—**	—
Other debtors	**17,258**	52,315	**935**	300
	562,350	585,094	**8,977,774**	6,811,291
Less: allowance for doubtful debts	**818**	818	**—**	—
	561,532	584,276	**8,977,774**	6,811,291

21 PREPAYMENTS AND OTHER CURRENT ASSETS (CONTINUED)

Note:

(i) Amounts due from subsidiaries mainly represented loans to subsidiaries with interests charged at the rates of 5.40% to 7.05% per annum as at 31 December 2012 (2011: 4.86% to 7.87%) and payments made on behalf of subsidiaries for the procurement of property, plant and equipment.

Impairment losses in respect of prepayments and other current asset are recorded using an allowance account.

The Group's prepayments and other current assets of RMB818,000 as at 31 December 2012 (2011: RMB818,000) were individually determined to be impaired. The individually impaired receivables related to the counterparties that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

For the other balances of prepayments and other current assets, the management is of the opinion that the counterparties are with good credit quality and the balances are considered fully recoverable.

22 RESTRICTED DEPOSITS

Restricted deposits mainly represent cash pledged as collateral for issuance of bank-acceptance bills. These restricted deposits are expected to be released within one year.

(Expressed in thousands of Renminbi unless otherwise stated)

23 CASH AT BANK AND ON HAND

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash on hand	**693**	804	**13**	76
Cash at bank and other financial institutions	**5,468,032**	7,517,184	**3,837,723**	5,669,553
	5,468,725	7,517,988	**3,837,736**	5,669,629
Representing:				
— Cash and cash equivalents	**3,768,371**	7,506,226	**2,149,770**	5,669,629
— Time deposits with original maturity over three months	**1,700,354**	11,762	**1,687,966**	—
	5,468,725	7,517,988	**3,837,736**	5,669,629

24 BORROWINGS

(a) The long-term interest-bearing borrowings comprise:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank and other loans				
— Secured	**1,883,810**	2,133,179	**1,771,909**	2,011,479
— Unsecured	**21,034,998**	19,517,723	**14,145,152**	11,976,026
Other borrowings *(note 24(e))*				
— Unsecured	**1,982,337**	—	**1,982,337**	—
	24,901,145	21,650,902	**17,899,398**	13,987,505
Less: Current portion of long-term borrowings				
— Bank and other loans	**2,896,387**	2,393,833	**2,077,536**	1,895,783
	22,004,758	19,257,069	**15,821,862**	12,091,722

As at 31 December 2012, the Group's bank loans guaranteed by Huaneng Group amounted to RMB22,810,000 (2011: RMB24,300,000).

(Expressed in thousands of Renminbi unless otherwise stated)

24 BORROWINGS (CONTINUED)

(b) The short-term interest-bearing borrowings comprise:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank and other loans (unsecured)	**5,380,000**	4,365,000	**5,380,000**	4,000,000
Current portion of long-term borrowings — Bank and other loans	**2,896,387**	2,393,833	**2,077,536**	1,895,783
	8,276,387	6,758,833	**7,457,536**	5,895,783

(c) The effective interest rates per annum on borrowings are as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Long-term (including current portion)				
Bank and other loans	**1% (note (i)), 5.54%~7.40%**	1% (note (i)), 4.86%~7.40%	**5.54%~7.05%**	4.86%~6.98%
Other borrowings (note 24(e))	**5.14%, 5.31%**	n/a	**5.14%, 5.31%**	n/a
Short-term (excluding current portion of long-term borrowings)				
Bank and other loans	**5.40%~6.56%**	5.90%~7.87%	**5.40%~6.56%**	5.90%~7.87%

Note:

(i) A subsidiary of the Company, Huaneng Shantou Nan'ao Wind Power Company Limited ("Nan'ao Power"), obtained a foreign government loan through China Construction Bank Guangdong Branch on 29 November 1999. This loan is funded by Spanish government via China Construction Bank Guangdong Branch. According to the terms of the loan, Nan'ao Power is obligated to use the loan proceeds to purchase goods and services only from entities in Spain. The total loan amount was US$8,586,809, of which US$4,317,319 was export credit loan with annual interest rate of 5.78% and a loan term of seven years due on 22 January 2008. The export credit loan was fully settled and repaid in 2008. The remaining US$4,269,490 has an annual interest rate of 1%. Nan'ao Power is required to make semi-annual installment payments starting 15 June 2010. The loan is to be paid off by 15 December 2029.

(Expressed in thousands of Renminbi unless otherwise stated)

24 BORROWINGS (CONTINUED)

(d) The long-term borrowings (including current portion) are repayable as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year or on demand	**2,896,387**	2,393,833	**2,077,536**	1,895,783
After 1 year but within 2 years	**1,905,071**	2,593,391	**1,184,320**	1,759,361
After 2 years but within 5 years	**9,788,548**	5,859,736	**7,721,813**	3,634,657
After 5 years	**10,311,139**	10,803,942	**6,915,729**	6,697,704
	24,901,145	21,650,902	**17,899,398**	13,987,505

(e) Significant terms of other borrowings:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Long-term				
Corporate bonds *(note (i))*	**1,982,337**	—	**1,982,337**	—

Note:

(i) On 29 October 2012, the Company issued a three-year unsecured corporate bond of RMB1,140 million at par with a coupon rate of 4.80% per annum and a five-year unsecured corporate bond of RMB860 million at par with a coupon rate of 5.09% per annum. The effective interest rates of above bonds are 5.14% and 5.31% per annum respectively.

(Expressed in thousands of Renminbi unless otherwise stated)

25 OBLIGATIONS UNDER FINANCE LEASES

The Group and the Company had obligations under finance leases repayable as follows:

(a) The Group

	2012		2011	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within 1 year	**361,407**	**504,969**	283,067	433,987
After 1 year but within 2 years	**379,947**	**512,444**	348,451	494,872
After 2 years but within 5 years	**1,096,230**	**1,352,614**	1,128,886	1,426,935
After 5 years	**780,787**	**871,167**	906,810	1,040,125
	2,256,964	**2,736,225**	2,384,147	2,961,932
	2,618,371	**3,241,194**	2,667,214	3,395,919
Less: total future interest expense		**622,823**		728,705
Present value of finance lease obligations		**2,618,371**		2,667,214

(Expressed in thousands of Renminbi unless otherwise stated)

25 OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

(b) The Company

	2012 Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*	2011 Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*
Within 1 year	**171,494**	**209,869**	160,058	211,000
After 1 year but within 2 years	**181,587**	**213,438**	170,379	215,589
After 2 years but within 5 years	**441,364**	**475,962**	532,983	601,353
After 5 years	**—**	**—**	91,645	95,145
	622,951	**689,400**	795,007	912,087
	794,445	**899,269**	955,065	1,123,087
Less: total future interest expense		**104,824**		168,022
Present value of finance lease obligations		**794,445**		955,065

At inception, the lease period of the finance lease obligation is approximately 7 to 10 years. The principal obligations and interest expenses are to be paid at least annually within the lease period.

(Expressed in thousands of Renminbi unless otherwise stated)

26 OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Payables for acquisition of property, plant and equipment and intangible assets	**3,833,923**	4,864,547	**—**	—
Retention payable *(note (i))*	**1,467,686**	1,187,787	**—**	—
Bills payable	**635,730**	2,228,289	**468,057**	2,189,712
Dividends payable	**43,951**	330,259	**—**	316,200
Amounts due to *(note (ii))*				
— subsidiaries	**—**	—	**225,360**	223,556
— fellow subsidiaries	**15,065**	25,855	**7,436**	15,451
— jointly controlled entity *(note 28)*	**30,000**	22,500	**30,000**	22,500
Payables for staff related costs	**29,809**	32,074	**2,700**	1,898
Payables for other taxes	**34,734**	46,887	**1,204**	6,000
Interest payable	**80,526**	59,854	**25,251**	5,390
Other accruals and payables	**42,142**	40,832	**19,822**	13,467
	6,213,566	8,838,884	**779,830**	2,794,174

Notes:

(i) Retention payable represents the retention payables due to equipment suppliers and construction contractors which will be settled upon the expiry of the warranty period.

(ii) Amounts due to subsidiaries, fellow subsidiaries and jointly controlled entity are all unsecured, interest-free and have no fixed terms of repayment.

All of the other payables are expected to be settled within one year or are repayable on demand.

(Expressed in thousands of Renminbi unless otherwise stated)

27 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Tax payable/(recoverable) in the consolidated balance sheet represents:

The Group

	2012 *RMB'000*	2011 *RMB'000*
Net tax payable at 1 January	**17,984**	5,738
Provision for the year *(note 8(a))*	**47,710**	31,820
(Over)/under-provision in respect of prior years *(note 8(a))*	**(10,401)**	2,328
Income tax paid	**(24,709)**	(21,902)
Net tax payable at 31 December	**30,584**	17,984
Representing:		
Tax payable	**30,584**	17,993
Tax recoverable	**—**	(9)
	30,584	17,984

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the years are as follows:

The Group

Deferred tax assets arising from:	**Tax credits for domestic equipment** *RMB'000*	**Trial operation income** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 1 January 2011	5,119	7,370	220	12,709
(Charged)/credited to profit or loss	(5,119)	(444)	3	(5,560)
At 31 December 2011	—	6,926	223	7,149
At 1 January 2012	**—**	**6,926**	**223**	**7,149**
Charged to profit or loss	**—**	**(767)**	**—**	**(767)**
At 31 December 2012	**—**	**6,159**	**223**	**6,382**

(Expressed in thousands of Renminbi unless otherwise stated)

27 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (CONTINUED)

(b) Deferred tax assets and liabilities recognised: (continued)

The Group

Deferred tax liabilities arising from:	Depreciation of fixed assets and amortisation of concession assets *RMB'000*	Non-deductible costs of fixed assets *RMB'000*	Total *RMB'000*
At 1 January 2011	(17,950)	(16,324)	(34,274)
Credited to profit or loss	270	7,161	7,431
At 31 December 2011	(17,680)	(9,163)	(26,843)
At 1 January 2012	**(17,680)**	**(9,163)**	**(26,843)**
(Charged)/credited to profit or loss	**(610)**	**9,163**	**8,553**
At 31 December 2012	**(18,290)**	**—**	**(18,290)**

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(r), the Group did not recognise deferred tax assets on accumulated tax losses of RMB795,479,000 as at 31 December 2012 (2011: RMB292,990,000) as the directors considered it is not probable that sufficient future taxable profits will be available to allow the tax losses to be utilised in relevant entities. The tax losses that will expire in the year ending 31 December 2013, 2014, 2015, 2016, and 2017 are nil, nil, RMB119,304,000, RMB173,686,000 and RMB502,489,000 respectively.

28 DEFERRED INCOME

	The Group		The Company	
	2012 ***RMB'000***	2011 *RMB'000*	**2012** ***RMB'000***	2011 *RMB'000*
At 1 January	**257,826**	248,746	**700**	15,750
Additions	**30,675**	45,087	**—**	7,500
Credited to profit or loss	**(15,204)**	(13,507)	**(50)**	(50)
Transfer to other payables	**—**	(22,500)	**—**	(22,500)
At 31 December	**273,297**	257,826	**650**	700

Deferred income of the Group mainly represents VAT refund granted by the government relating to the purchase of domestic equipment and subsidies relating to the construction of property, plant and equipment, which would be recognised as income on a straight-line basis over the expected useful life of the relevant assets.

(Expressed in thousands of Renminbi unless otherwise stated)

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
At 1 January 2011	5,800,000	(1,325,555)	2,830	22,808	4,500,083
Changes in equity for 2011:					
Issuance of shares upon public offering, net of issuing expenses	2,646,898	2,694,693	—	—	5,341,591
Special distribution to Huaneng Group	—	—	—	(316,200)	(316,200)
Total comprehensive income for the year	—	—	—	257,272	257,272
At 31 December 2011	8,446,898	1,369,138	2,830	(36,120)	9,782,746
At 1 January 2012	**8,446,898**	**1,369,138**	**2,830**	**(36,120)**	**9,782,746**
Changes in equity for 2012:					
Total comprehensive income for the year *(note 11)*	**—**	**—**	**—**	**245,938**	**245,938**
Transfer to reserve fund	**—**	**—**	**21,248**	**(21,248)**	**—**
Others	**—**	**(2,663)**	**—**	**2,663**	**—**
At 31 December 2012	**8,446,898**	**1,366,475**	**24,078**	**191,233**	**10,028,684**

(Expressed in thousands of Renminbi unless otherwise stated)

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2012	2011
	RMB	*RMB*
Final dividend proposed after the end of the reporting period of RMB0.015 per share (2011: nil)	**126,703,470**	—

The directors resolved on 19 March 2013 that RMB0.015 per share is to be distributed to the shareholders for 2012, subject to approval of the shareholders at the coming Annual General Meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Special distribution to Huaneng Group

Pursuant to the board resolution of the Company on 23 November 2010, the Company was to make a distribution to Huaneng Group representing an amount equal to the net profit attributable to the equity owner of the Company generated during the period from 1 January 2010 (the date immediately after the date of the Reorganisation) to 5 August 2010 (the “Special Distribution”).

Pursuant to the board resolution of the Company on 29 April 2011, the directors resolved to pay the Special Distribution to Huaneng Group amounting to RMB316.2 million. With consent from Huaneng Group, the Company decided to postpone the payment of Special Distribution to Huaneng Group for no more than 12 months commencing from 10 December 2011. The amount has been paid in December 2012.

(Expressed in thousands of Renminbi unless otherwise stated)

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

	The Group and the Company	
	2012	2011
	RMB'000	*RMB'000*
Issued and fully Paid		
5,535,311,200 domestic state-owned ordinary shares of RMB1.00 each	**5,535,311**	5,535,311
2,911,586,800 H shares of RMB1.00 each	**2,911,587**	2,911,587
	8,446,898	8,446,898

Pursuant to the approval of Establishing Huaneng Renewables Corporation Limited, issued by State-owned Assets Supervision and Administration Commission of the State Council, the Company was established as a joint stock company on 5 August 2010. The Company issued 5,800 million ordinary shares with a par value of RMB1.00 each on 5 August 2010, with 5,510 million shares to Huaneng Group in exchange of (i) all the assets and liabilities transferred from HNEIC and its subsidiaries, and (ii) a cash contribution of RMB1,882 million, and 290 million shares to Huaneng Capital Services Corporation Ltd. ("Huaneng Capital"), a wholly owned subsidiary of Huaneng Group, in exchange of a cash contribution of RMB290 million.

In June and July 2011, the Company issued an aggregation of 2,646,898,000 H shares with a par value of RMB1.00, at a price of HKD2.50 per H share and 264,688,800 domestic state-owned shares of RMB1.00 each owned by Huaneng Group and Huaneng Capital were converted into H shares in connection with the IPO.

All shareholders are entitled to receive dividends as declared from time to time except for the Special Distribution to Huaneng Group as described in note 29(b)(ii) and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve includes share premium and other capital reserve.

Share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the IPO in 2011.

Other capital reserve mainly represents the difference between the total amount of the nominal value of shares issued and the amount of the net assets and cash injected by Huaneng Group and Huaneng Capital upon the establishment of the Company.

(ii) Statutory surplus reserve

According to the Company's Article of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Company and is non-distributable other than in liquidation.

(iii) Exchange reserve

The Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that have functional currency other than the RMB. The reserve is dealt with in accordance with the accounting policies as set out in note 2(u).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies in notes 2(g) and 2(r).

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Distributability of reserves

According to the Company's Articles of Association, the distributable profits are the lower of the net profit of the year as determined under PRC accounting rules and regulations and the amount determined under IFRSs. At 31 December 2012, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB191,233,000.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. The liability-to-asset ratio of the Group as at 31 December 2012 is 76% (2011: 76%).

There were no changes in the Group's approach to capital management compared with previous years. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investment in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, trade debtors and bills receivable, prepayments and other current assets and other financial assets.

Substantially all of the Group's cash and cash equivalents are deposited in the stated owned/controlled PRC banks which the directors assessed the credit risk to be insignificant.

The receivables from sales of electricity mainly represent receivables from the provincial power grid companies. The Group has no significant credit risk with any of these power grid companies as the Company and its subsidiaries maintain long-term and stable business relationships with these companies. The receivables from the provincial power grid companies accounted for 97.5% of the Group's total trade debtors as at 31 December 2012 (2011: 94.5%). For other trade receivables and other receivables, the Group performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the financial statements.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

(b) Liquidity risk

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. In order to repay the borrowings due within one year, the Group negotiates banking facilities and utilises operating cash inflows in its subsidiaries. The Group manages the proportion of its current liabilities with respect to the total liabilities to mitigate the liquidity risk. The directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during the year.

(Expressed in thousands of Renminbi unless otherwise stated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	Carrying amount RMB'000	Contractual cash flows RMB'000	1 year or less RMB'000	1–2 years RMB'000	2–5 years RMB'000	more than 5 years RMB'000
31 December 2012						
Long-term borrowings *(note 24(a))*	**22,004,758**	**29,396,366**	**1,313,396**	**3,187,297**	**12,560,173**	**12,335,500**
Short-term borrowings *(note 24(b))*	**8,276,387**	**8,483,361**	**8,483,361**	**—**	**—**	**—**
Obligations under finance leases *(note 25)*	**2,618,371**	**3,241,194**	**504,969**	**512,444**	**1,352,614**	**871,167**
Retention payables	**1,572,369**	**1,572,369**	**—**	**873,034**	**667,649**	**31,686**
Other payables *(note 26)*	**6,213,566**	**6,213,566**	**6,213,566**	**—**	**—**	**—**
	40,685,451	**48,906,856**	**16,515,292**	**4,572,775**	**14,580,436**	**13,238,353**

	Carrying amount RMB'000	Contractual cash flows RMB'000	1 year or less RMB'000	1–2 years RMB'000	2–5 years RMB'000	more than 5 years RMB'000
31 December 2011						
Long-term borrowings *(note 24(a))*	19,257,069	26,539,029	1,218,215	3,750,147	8,520,249	13,050,418
Short-term borrowings *(note 24(b))*	6,758,833	6,999,577	6,999,577	—	—	—
Obligations under finance leases *(note 25)*	2,667,214	3,395,919	433,987	494,872	1,426,935	1,040,125
Retention payables	1,546,593	1,789,540	—	683,699	1,083,830	22,011
Other payables *(note 26)*	8,838,884	8,838,884	8,838,884	—	—	—
	39,068,593	47,562,949	17,490,663	4,928,718	11,031,014	14,112,554

(Expressed in thousands of Renminbi unless otherwise stated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Company

	Carrying amount *RMB'000*	Contractual cash flows *RMB'000*	1 year or less *RMB'000*	1–2 years *RMB'000*	2–5 years *RMB'000*	more than 5 years *RMB'000*
31 December 2012						
Long-term borrowings *(note 24(a))*	**15,821,862**	**20,984,377**	**927,553**	**2,095,792**	**9,640,206**	**8,320,826**
Short-term borrowings *(note 24(b))*	**7,457,536**	**7,630,258**	**7,630,258**	**—**	**—**	**—**
Obligations under finance leases *(note 25)*	**794,445**	**899,269**	**209,869**	**213,438**	**475,962**	**—**
Other payables *(note 26)*	**779,830**	**779,830**	**779,830**	**—**	**—**	**—**
	24,853,673	**30,293,734**	**9,547,510**	**2,309,230**	**10,116,168**	**8,320,826**

	Carrying amount *RMB'000*	Contractual cash flows *RMB'000*	1 year or less *RMB'000*	1–2 years *RMB'000*	2–5 years *RMB'000*	more than 5 years *RMB'000*
31 December 2011						
Long-term borrowings *(note 24(a))*	12,091,722	16,412,278	752,780	2,469,232	5,249,741	7,940,525
Short-term borrowings *(note 24(b))*	5,895,783	6,108,023	6,108,023	—	—	—
Obligations under finance leases *(note 25)*	955,065	1,123,087	211,000	215,589	601,353	95,145
Other payables *(note 26)*	2,794,174	2,794,174	2,794,174	—	—	—
	21,736,744	26,437,562	9,865,977	2,684,821	5,851,094	8,035,670

(Expressed in thousands of Renminbi unless otherwise stated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the years ended 31 December 2012 and 2011, however, management of the Group did not consider it necessary to use interest rate swaps to hedge their exposure to interest.

The following table details the profile of the Group's and the Company's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at the balance sheet date. The detailed interest rates and maturity information of the Group's and the Company's borrowings are disclosed in note 24.

The Group

	2012	2011
	RMB'000	*RMB'000*
Net fixed rate borrowings:		
Borrowings	**2,785,147**	1,324,300
Less: Bank deposits (including restricted deposits)	**1,838,671**	36,861
	946,476	1,287,439
Net floating rate borrowings:		
Borrowings	**27,495,998**	24,691,602
Obligations under finance lease	**2,618,371**	2,667,214
Less: Bank deposits (including restricted deposits)	**3,838,340**	7,539,790
	26,276,029	19,819,026
Total net borrowings:	**27,222,505**	21,106,465

(Expressed in thousands of Renminbi unless otherwise stated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

The Company

	2012	2011
	RMB'000	*RMB'000*
Net fixed rate borrowings:		
Borrowings	**2,762,337**	1,300,000
Less: Loans to subsidiaries	**300,000**	1,300,000
Bank deposits (including restricted deposits)	**1,807,741**	—
	654,596	—
Net floating rate borrowings:		
Borrowings	**20,517,061**	16,687,505
Obligations under finance lease	**794,445**	955,065
Less: Loans to subsidiaries	**18,550,152**	15,606,027
Bank deposits (including restricted deposits)	**2,149,758**	5,703,920
	611,596	(3,667,377)
Total net borrowings/(deposits):	**1,266,192**	(3,667,377)

At 31 December 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates of net floating borrowings, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB196,072,000 (31 December 2011: RMB143,091,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the balance sheet date.

The estimated 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The sensitivity analysis is performed on the same basis for 2011.

(Expressed in thousands of Renminbi unless otherwise stated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, borrowings and cash balances that are denominated in a foreign currency other than RMB. The currencies giving rise to this risk are primarily Hong Kong dollars, Euros and United States dollars.

(i) Recognised assets and liabilities

Except for CERs sales which were denominated in foreign currencies, substantially all of the revenue-generating operations of the Group are transacted in RMB. In addition, the Group has certain borrowings that are denominated in United States dollars. The Company has converted most of the IPO proceeds in Hong Kong dollar into RMB in 2012. The directors considered that the Group's exposure to foreign currency risk is insignificant.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividends in foreign currencies to its shareholders.

(ii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than RMB to which they relate.

The Group

	Exposure to foreign currencies *(expressed in RMB)*					
		2012			2011	
	HKD	**USD**	**EUR**	HKD	USD	EUR
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	**2,426,704**	**6,743**	**1,967**	5,050,529	11,128	1,965
Trade debtors	**—**	**—**	**81,941**	—	—	97,469
Other receivables	**—**	**—**	**507,508**	1,892	—	501,664
Short-term borrowings	**—**	**(1,342)**	**—**	—	(1,350)	—
Other payables	**—**	**—**	**—**	(959)	—	—
Tax payable	**(309)**	**—**	**—**	(308)	—	—
Long-term borrowings	**—**	**(21,468)**	**—**	—	(22,950)	—
Net exposure	**2,426,395**	**(16,067)**	**591,416**	5,051,154	(13,172)	601,098

(Expressed in thousands of Renminbi unless otherwise stated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

The Company

	Exposure to foreign currencies *(expressed in RMB)*					
	2012			2011		
	HKD	**USD**	**EUR**	HKD	USD	EUR
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	**2,418,760**	**—**	**1,967**	5,047,076	—	1,965
Other payables	**(1,229)**	**—**	**—**	(936)	—	—
Net exposure	**2,417,531**	**—**	**1,967**	5,046,140	—	1,965

The followings are HKD, USD and EUR exchange rates to RMB:

	Average rate		**Reporting date spot rate**	
	2012	2011	**2012**	2011
HKD	**0.8108**	0.8308	**0.8109**	0.8107
USD	**6.2932**	6.4618	**6.2855**	6.3009
EUR	**8.2401**	8.4845	**8.3176**	8.1625

A 5% strengthening of RMB against the following currencies as at 31 December 2012 and 2011 would have increased/(decreased) the net profit and retained profit by the amount shown below:

	The Group		**The Company**	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
HKD	**(121,320)**	(252,516)	**(120,877)**	(252,307)
USD	**518**	355	**—**	—
EUR	**(27,314)**	(27,768)	**(98)**	(98)
	(148,116)	(279,929)	**(120,975)**	(252,405)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

A 5% weakening of RMB against the above currencies as at 31 December 2012 and 2011 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2011.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investment classified as available-for-sale equity securities. The Group's listed investment is listed on the HKSE, which is chosen based on its longer term growth potential. The investment is monitored regularly for performance against expectation and assessed together with an assessment of its relevance to the Group's long-term strategic plans.

The directors considered that the Group's and the Company's exposure to equity price risk is insignificant.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values

(i) Financial instruments carried at fair value

The amendments to IFRS 7, *Financial Instruments*: *Disclosures* require disclosures relating to fair value measurements of financial instruments across three levels of a "fair value hierarchy". The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31 December 2012 and 2011, the financial instruments of the Group carried at fair value were available-for-sale investment (see note 19), which fall into Level 1 of the fair value hierarchy described above.

The investments in unquoted equity securities (note 19(ii)) are measured at cost which fair value cannot be measured reliably as these investments in non-listed companies do not have quoted market price in an active market. The Group has no intention to dispose these investments.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 2011.

(Expressed in thousands of Renminbi unless otherwise stated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Listed securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) Interest-bearing borrowings and obligations under finance leases

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

31 COMMITMENTS

(a) Capital commitments outstanding at the year end not provided for in the financial statements were as follows:

	The Group		**The Company**	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted for	**4,973,284**	6,736,189	**95,762**	211,872
Authorised but not contracted for	**11,982,424**	12,372,414	**1,117,066**	3,227,880
	16,955,708	19,108,603	**1,212,828**	3,439,752

(Expressed in thousands of Renminbi unless otherwise stated)

31 COMMITMENTS (CONTINUED)

(b) At the year end, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**14,795**	14,268	**13,333**	13,369
After 1 year but within 5 years	**495**	14,110	**—**	13,333
	15,290	28,378	**13,333**	26,702

The Group leases certain buildings through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

32 CONTINGENT LIABILITIES

(a) Financial guarantees issued

At 31 December 2012, the Company has issued certain guarantees to banks and other financial institutions in respect of bank loans and finance lease arrangement granted to the subsidiaries, amounting to RMB2,389,456,000 (2011: RMB2,151,276,000).

(b) Contingent liabilities in respect of taxes on sales of CERs

Up to date, there have been no rules issued on whether the revenue from sales of CERs is subject to any VAT or business tax. Based on the discussions with local tax authorities, the directors of the Company are of the opinion that no such taxes will be applicable to the revenue from sales of CERs. Therefore, the Group has not made any provision on such contingencies.

(Expressed in thousands of Renminbi unless otherwise stated)

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Group is part of a larger group of companies under Huaneng Group and has significant transactions and relationships with the subsidiaries of Huaneng Group.

Apart from those disclosed elsewhere in the financial statements, the principal related party transactions which were carried out in the ordinary course of business are as follows:

	2012	2011
	RMB'000	*RMB'000*
Non-exempted continuing connected transactions		
Service provided to		
Fellow subsidiaries	**1,274**	1,450
Service provided by		
Fellow subsidiaries *(note (ii))*	**62,519**	50,514
Net deposit in		
Huaneng Finance	**1,358,949**	245,000
Interest income		
Huaneng Finance	**7,003**	—
Non-exempted one-off connected transactions		
Service provided by		
China Huaneng R&D Center	**3,300**	3,050
Exempted connected transactions		
Loan guarantees revoked		
Huaneng Group (note 24(a))	**1,490**	2,562
Service provided by		
Fellow subsidiaries	**3,306**	—

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

Notes:

(i) The related party transactions listed above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on HKSE (the "Listing Rules"). The detailed disclosures required by Chapter 14A of the Listing Rules are provided in the "Reports of the Board of Directors" section of the annual report for the year ended 31 December 2012.

(ii) Service provided by fellow subsidiaries mainly comprised property insurance services provided by Alltrust Insurance Company of China Limited (永誠財產保險股份有限公司), technical services provided by Xi'an Thermal Power Research Institute Co., Ltd. (西安熱工研究院有限公司), and property lease services provided by Xinsheng Property Management Co., Ltd. (新升物業管理公司).

(b) Outstanding balances with related parties

The deposits placed with a fellow subsidiary, Huaneng Finance, amounted to RMB1,603,949,000 as at 31 December 2012 (2011: RMB245,000,000). Details of the other outstanding balances with related parties are set out in notes 19, 20, 21, 24 and 26.

(c) Transactions with other state-controlled entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as "government-related entities").

Apart from transactions mentioned above, the Group conducts a majority of its business activities with government-related entities in the ordinary course of business. These transactions are carried out at terms similar to those that would be entered into with non-government-related entities. Transactions with other government-related entities included but are not limited to the following:

— Sales of electricity;

— Depositing and borrowing money; and

— Purchase of materials and receiving construction work services.

(Expressed in thousands of Renminbi unless otherwise stated)

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with other state-controlled entities in the PRC (continued)

The tariff of electricity is regulated by relevant government. The Group prices its other services and products based on commercial negotiations. The Group has also established its approval processes for sales of electricity, purchase of products and services and its financing policy for borrowing. Such approval processes and financing policy do not depend on whether the counterparties are government-related entities or not.

For the years ended 31 December 2012 and 2011, all revenue from the sales of electricity is made to the provincial power grid companies which are government-related entities. As at 31 December 2012 and 2011, substantially all the trade and bills receivable are due from these power grid companies.

The Company and its subsidiaries maintained substantially all of the bank deposits in government-related financial institutions while lenders of substantially all of the Company and its subsidiaries' loans are also government-related financial institutions, associated with the respective interest income or interest expense incurred.

Other collectively significant transactions with government-related entities also included a large portion of equipment and materials purchases, and property, plant and equipment construction services received.

(d) Commitments with related parties

Commitments with related parties outstanding at the year end not provided for in the financial statements were as follows:

	2012	2011
	RMB'000	*RMB'000*
Services to be provided by related parties	**28,776**	56,776

(Expressed in thousands of Renminbi unless otherwise stated)

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9, and certain of the highest paid employees as disclosed in note 10, is as follows:

	2012	2011
	RMB'000	*RMB'000*
Salaries and other emoluments	**6,121**	5,381
Discretionary bonus	**1,762**	904
Retirement scheme contributions	**622**	470
	8,505	6,755

34 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

The major non-cash transaction of the Group is set out as follows:

	2012	2011
	RMB'000	*RMB'000*
Acquisition of property, plant and equipment by means of finance lease (including related deductible VAT)	**379,536**	897,237

35 PARENT AND ULTIMATE HOLDING COMPANY

The directors of the Company consider its parent and ultimate holding company to be Huaneng Group, which is a state-owned enterprise established in the PRC. Huaneng Group does not produce financial statement available for public use.

(Expressed in thousands of Renminbi unless otherwise stated)

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IAS 1, Presentation of financial statements — Presentation of items of other comprehensive income	1 July 2012
IFRS 10, Consolidated financial statements	1 January 2013
IFRS 11, Joint arrangements	1 January 2013
IFRS 12, Disclosure of interests in other entities	1 January 2013
IFRS 13, Fair value measurement	1 January 2013
IAS 27, Separate financial statements (2011)	1 January 2013
IAS 28, Investments in associates and joint ventures	1 January 2013
Revised IAS 19, Employee benefits	1 January 2013
Annual improvements to IFRSs 2009-2011 Cycle	1 January 2013
Amendments to IFRS 7, Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
Amendments to IFRS 10, Consolidated financial statements, IFRS 11, Joint arrangements and IFRS 12, Disclosure of interests in other entities — Transition guidance	1 January 2013
Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities	1 January 2014
Amendments to IAS 32, Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
IFRS 9, Financial instruments	1 January 2015
Amendments to IFRS 9, Financial instruments and IFRS 7, Financial instruments: Disclosures — Mandatory effective date and transition disclosures	1 January 2015

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far the Group believes that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

37 NON-ADJUSTING SUBSEQUENT EVENT

On 21 February 2013, the Group disposed of its available-for-sale securities in Guodian Technology and Environment Group Corporation Limited with gross proceeds of HKD275,527,500, resulting in a gain on disposal of approximately HKD33 million.

Corporate Information

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Ms. MOK Ming Wai (FCIS, FCS)

AUTHORIZED REPRESENTATIVES

Mr. LIN Gang
Ms. MOK Ming Wai (FCIS, FCS)

NON-EXECUTIVE DIRECTORS

Mr. CAO Peixi *(Chairman)*
Mr. ZHANG Tingke *(Vice Chairman)*
Mr. ZHAO Keyu

EXECUTIVE DIRECTORS

Mr. LIN Gang *(President)*
Mr. NIU Dongchun *(resigned on 19 March 2013)*
Ms. YANG Qing
Mr. HE Yan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. QIN Haiyan
Ms. DAI Huizhu
Mr. ZHOU Shaopeng
Mr. WAN Kam To

SUPERVISORS

Mr. HUANG Jian
Mr. WANG Huanliang
Mr. YU Zewei

AUDIT COMMITTEE

Mr. ZHOU Shaopeng *(Chairman)*
Mr. ZHAO Keyu
Mr. WAN Kam To

NOMINATION COMMITTEE

Mr. CAO Peixi *(Chairman)*
Mr. ZHOU Shaopeng
Mr. QIN Haiyan

REMUNERATION COMMITTEE

Mr. QIN Haiyan *(Chairman)*
Ms. DAI Huizhu
Mr. LIN Gang
(appointed with effect from 19 March 2013)
Mr. NIU Dongchun *(resigned on 19 March 2013)*

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the PRC

Industrial and Commercial Bank of China Limited
No. 55 Fuxingmennei Street
Xicheng District
Beijing
the PRC

Glossary of Technical Terms

"attributable installed capacity" or "attributable capacity under construction"	the aggregate installed capacity or capacity under construction (as the case may be) of our project companies or individual projects under one project company in which we have an interest in proportion to the level of our ownership in each of those companies. It is calculated by multiplying our percentage ownership in each project company in which we have an interest, by its total installed capacity or total capacity under construction (as the case may be)
"capacity under construction"	the capacity of our wind farms where construction work on the roads, foundations or electrical infrastructure has commenced
"CDM"	the Clean Development Mechanism, a mechanism provided by Article 12 of the Kyoto Protocol, permitting industrialized countries to finance projects that reduce greenhouse gas emission in developing countries in exchange for emission credits
"CDM EB"	the CDM Executive Board, which supervises the clean development mechanism under the authority and guidance of the Conference of the Parties to the UNFCCC
"CERs"	Certified Emission Reductions, which are carbon credits issued by CDM EB for emission reductions achieved by registered CDM projects and verified by a DOE under the Kyoto Protocol
"gross power generation"	for a specified period, the total amount of electricity produced by a power plant in that period, including auxiliary electricity and electricity generated during the construction and testing period

Glossary of Technical Terms

"GW"	unit of power, gigawatt. 1 GW = 1,000 MW
"GWh"	unit of energy, gigawatt-hour. 1 GWh = 1 million kWh. GWh is typically used as a measure for the annual energy production of large power plants
"installed capacity"	the capacity of power generation units or wind turbines that have been completely assembled or erected in the case of wind power. For wind power, installed capacity includes the capacity of wind turbines in testing period
"kWh"	unit of energy, kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"Kyoto Protocol"	a protocol to the UNFCCC and became effective on March 21, 1994
"MW"	unit of power, megawatt. 1 MW = 1,000 kW, MW is typically used to measure installed capacity of power plants
"MWh"	unit of energy, megawatt-hour. 1 MWh = 1,000 kWh
"net power generation"	for a specified period, the total amount of electricity sold to the relevant local grid company by a power plant in that period, which equals to gross power generation less (i) auxiliary electricity and (ii) the electricity generated during the construction and testing period. Sales of electricity generated during the construction and testing period are not included in the revenue of electricity sales, but are offset against the cost of property, plant and equipment

Glossary of Technical Terms

"pipeline projects"	wind or solar power projects that have been identified and reserved for future development pursuant to the investment and development agreements that we entered into with various levels of local government under which we have the exclusive right or priority to develop wind or solar power projects at specified sites with certain estimated capacity. We classify our wind power pipeline projects into three categories - Advanced-stage Projects, Developing-stage Projects and Early-stage Projects, based on their maturity
"renewable energy"	energy generated from sustainable energy sources that are regenerative or, for all practical purposes, cannot be depleted
"ton"	metric ton
"weighted average utilization hours"	the consolidated gross power generation less the electricity generated during the construction and testing period in a specified period divided by the weighted average consolidated operational capacity in the same period

華能新能源股份有限公司
Huaneng Renewables Corporation Limited *